

<b>Report to:</b>	Cabinet Council	<b>Date of Meeting:</b>	30 July 2020 17 September 2020
<b>Subject:</b>	Financial and Corporate Performance 2019/20		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<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 and capital outturn position in relation to the 2019/20 financial year. In doing so the report will outline any key variations and where appropriate any impact on future years' financial performance. In addition, it provides details of the Council's Corporate Performance for 2019/20.

### Recommendation(s):

**Cabinet** is recommended to: -

#### Revenue Outturn

1. Note the General Fund net deficit of £0.555m for 2019/20 that will reduce the Council's General Balances;
2. Note the reduction in Schools' balances of £2.773m for 2019/20 and the net reduction of non-schools centrally retained DSG balances of £4.155m;
3. Approve the utilisation of £0.620m of the Council's allocation of COVID-19 emergency funding to offset income losses experienced during 2019/20 as a result of restrictions imposed by the Government in response to the pandemic (paragraph 3.3.8);
4. Approve the temporary utilisation of £0.653m from the Transforming Sefton Reserve to fund increased Debt Charges in 2019/20 relating to the Minimum Revenue Provision (MRP) and note that this will be repaid from future reductions in the MRP charge (paragraph 6.5c); and,
5. Recommend to Council that the balance on the Business Rates Reserve (£1.976m) be released back to the General Fund in 2019/20 to support the outturn position (paragraph 6.5e).

## **Capital Outturn**

6. Note the total capital outturn of £25.175m for the financial year 2019/20
7. To note the successful delivery of a number of schemes as set out in section 11 that have supported the delivery of the core purpose

## **Corporate Performance**

8. Note the Council's Corporate Performance Report for 2019/20

**Council** is recommended to:-

1. Approve that the balance on the Business Rates Reserve (£1.976m) be released back to the General Fund in 2019/20 to support the outturn position (paragraph 6.5e).

## **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 financial implications are reflected within the report

### **(B) Capital Costs**

All financial implications are reflected within the report

## **Implications of the Proposals:**

The following implications of this proposal have been considered and where there are specific implications, these are set out as follows:

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

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

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services is the author of the report (FD 6061/20)

The Chief Legal and Democratic Officer has been consulted and any comments have been incorporated into the report (LD 4243/20).

**(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:**

The following appendices are attached to this report:

Appendix A - Corporate Performance Report 2019/20

**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 2019/20 and provides details of the major variations within that position for the General Fund and Schools' Delegated Budgets. The report also provides details of the Capital Outturn position for 2019/20.
- 1.2 In addition, the report includes the Council's Corporate Performance Report for 2019/20 (Appendix A).

## Revenue Outturn 2019/20

### 2 Overall Position 2019/20

2.1 The Council has completed the closure of the Authority's Accounts for 2019/20. In previous years, by the end of May, the Council would have submitted the Statement of Accounts to our external auditors, Ernst & Young, for audit. However, due to the impact of the COVID-19 pandemic, the Government has worked with CIPFA, the LGA and external auditors to revise the regulations for publishing, auditing and approving the Statement of Accounts. The new timeframe for the overall closure of accounts process is as follows:

- Draft Statement of Accounts issued – 31 July 2020 (statutory deadline is 31 August 2020)
- Audit & Governance Committee receive draft accounts – 16 September 2020
- External Audit Review – Planned completion early November 2020
- Audit and Governance Committee receive Final Accounts - late November 2020
- Final audited Statement of Accounts published – 30 November 2020

2.2 The outturn figures for 2019/20 are explained in more detail in section 3 but can be summarised as follows:

<u>Net Revenue Expenditure</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
<b><u>Services</u></b>			
Strategic Management	3.082	2.909	-0.173
Strategic Support Unit	2.696	2.573	-0.123
Adult Social Care	95.778	95.707	-0.073
Children's Social Care	33.251	37.212	3.961
Communities	19.457	19.327	-0.130
Corporate Resources	6.855	6.420	-0.435
Economic Growth & Housing	5.967	6.011	0.044
Education Excellence	9.652	10.098	0.446
Health and Wellbeing	18.060	17.811	-0.249
Highways & Public Protection	11.039	10.756	-0.283

Locality Services	13.680	14.022	0.342
Public Sector Reform Projects - Budget Planning Assumptions not allocated to Services	-0.950	0.000	0.950
Other Services	3.122	3.134	0.012
<b>Total Service Net Expenditure</b>	<b>221.689</b>	<b>225.980</b>	<b>4.291</b>
Corporate Items	4.273	0.779	-3.494
Levies	34.156	34.156	-
Parish Precepts	1.073	1.073	-
<b>Total Net Expenditure</b>	<b>261.191</b>	<b>261.988</b>	<b>0.797</b>
<b>Financed by:</b>			
Council Tax Payers	-134.095	-134.095	-
Business Rates Top-Up	-19.628	-19.628	-
Retained Business Rates	-66.489	-66.489	-
General Government Grants	-40.979	-41.221	-0.242
<b>Total Financing</b>	<b>-261.191</b>	<b>-261.433</b>	<b>-0.242</b>
<b>Amount Funded from General Balances</b>	<b>0.000</b>	<b>0.555</b>	<b>0.555</b>

### 3 General Fund Revenue Outturn 2019/20 – Variation Analysis

3.1 As shown in section 2, the outturn for 2019/20 shows that there was a transfer required from General Balances of £0.555m to fund the year end overspend.

3.2 This reflects service expenditure exceeding the approved budget by £4.291m, however, with a surplus of £3.736m on the Council's corporate budgets only £0.555m of General Balances were required to support the budget. This is broadly in line with the budget monitoring report to Cabinet on 5 March 2020 which forecast a deficit of £0.429m.

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 **Children's Social Care** - Children's Social Care overspent in 2019/20 by £3.961m. This level of overspend was forecast consistently through the year. Major variations included overspending of £4.241m 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 525 at the start of the year to 578 by the end of the year). There were particular pressures on Residential Agency Placements (£1.431m overspend), Fostering (£1.337m overspend) and

Leaving Care (£1.126m overspend). The overspend position on placements and packages was partially offset however, by other variations across the service of -£0.280m.

**3.3.2 Corporate Resources** – The surplus of £0.435m 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.

**3.3.3 Education Excellence** – Education Excellence overspent in 2019/20 by £0.446m. This deficit position was primarily due to the Home to School specialist transport budget being overspent by £0.561m due to the full year effect of the increased costs of new external transport contract. This was partially offset by net underspends across other areas of the service totalling £0.115m.

**3.3.4 Health & Wellbeing** – A net surplus of £0.249m was brought about primarily due to a surplus of £0.153m being achieved as a result of the Substance Misuse contract being recommissioned, with savings on other contracts and vacancy savings of £0.096m.

**3.3.5 Highways and Public Protection** – There was an overall surplus of £0.283m on this service, mainly relating to an underspend on highways maintenance expenditure due to lower winter maintenance costs than in previous years.

**3.3.6 Locality Services** – The service ended the year with a deficit of £0.342m. The main variations affecting these services were as follows:

- The deficit within the Security Service (£0.665m deficit) was a reflection of an under recovery of income to support the cost base. This aspect will be addressed in 2020/21.
- The Burial and Cremation service (£0.165m underspend) has achieved additional income in the year.
- Cleansing (£0.194m underspend) – The underspend is mainly due to increased forecast recycling credits and a reduction in vehicle maintenance costs of the cleansing fleet.

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 £0.712mm in 2018/19. 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.

**3.3.7 Public Sector Reform (PSR) Projects - Budget Planning Assumptions not allocated to Services** - The 2019/20 Budget included £9.803m of savings from PSR projects. Of this, £8.853m of savings were deliverable in the year (90%). There was a shortfall of £0.950m relating to the following projects:

- PSR1 – Acute Wrap Around (£0.230m).

- PSR10 – Commissioning (£0.720m).

3.3.8 **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 £3.736m has mainly been achieved from the following:

- Business Rates Reserve increase not required (previously noted by Cabinet on 5 September 2019) - £1.753m surplus;
- Release of Business Rates Reserve no longer required - £1.976m surplus (see paragraph 6.5e)
- Budget Pressures Fund - £1.000m surplus;
- Additional Debt Charges re. Minimum Revenue Provision (MRP) - £0.653m deficit;
- Temporary utilisation of Transforming Sefton Reserve to fund additional MRP charge - £0.653m surplus (see paragraph 6.5c);
- Increase in Corporate Provisions for Bad Debts - £0.653m deficit;
- Reduction in Housing Benefit Subsidy. Re. overpayments - £0.427m deficit.

In addition, the Council experienced a loss of income at the end of the financial year as a result of the restrictions implemented by the Government in response to COVID-19 (£0.620m). The Council received emergency funding from the Government to offset the initial costs of responding to the pandemic and any losses of income. An element of the funding has been utilised to offset these income losses with the balance being carried forward to be utilised in 2020/21 (see paragraph 6.5f). **Cabinet is asked to approve the utilisation of £0.620m of the Council's allocation of emergency funding to offset these income losses during 2019/20.**

3.4 As a result of the variations detailed within this report the overall Council-wide deficit recorded for the year of £0.555m represents the outcome of stringent financial management through the year as the Council continues to meet the extreme challenges of national government policy and the volatility that is presented in its demand led services.

3.5 As was detailed within the Budget report presented to Council in February 2020, in addition to the need to respond to the decade long austerity programme, the Council continues to face unprecedented financial pressure particularly within Children's Social Care, Home to School Transport and Locality Services. This position is not unique to Sefton; however, the challenge is significant and will require very careful financial management throughout 2020/21 and beyond.

3.6 The Council acknowledged these risks in its budget report and additional resources were built into 2020/21 budget in recognition of these additional demands. The first budget monitoring report of 2020/21, 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 first year of the current three-year budget period.



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 implications of responding to the COVID-19 pandemic, 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 2019/20

4.1 The level of schools' balances as at the end of 2019/20 is £10.823m a reduction of £2.773m compared to 2018/19 (£13.596m 2018/19). The table below show the breakdown across the main school funds.

	2019/20 £m	2018/19 £m	Movement £m
Direct School Balances	10.553	13.137	(2.584)
School Supply Funding Pool	(0.108)	0.020	(0.128)
Schools Rates Pooled Account	0.378	0.439	(0.061)
<b>Overall School Balances</b>	<b>10.823</b>	<b>13.596</b>	<b>(2.773)</b>

4.2 Analysis of the Schools Balances shows that 40 schools saw an increase in their balances totalling £0.930m; whilst 51 schools experienced a fall in balances of £3.244m giving a net reduction in the year of £2.584m. Of the 52 schools with falling balances, there were 39 Primary schools and 5 Local Authority Maintained Secondary schools with a fall in balances of £1.660m and £0.967m respectively. In addition, there were 3 Special/AP schools and 2 Maintained Nursery Schools with reducing balances of £0.445m and £0.040m respectively.

4.3 The level of schools' balances also fell by £0.402m, following the conversion of 2 Primary schools to Academies early in 2019/20, where any residual balances have to be paid over by the Local Authority to the new Academy Trusts.

4.4 The Dedicated Schools Grant (DSG) is a ringfenced grant from the Department for Education (DfE) to fund education provision. In addition to funding for schools there are three other funding "blocks". At year-end, in addition to maintained schools' balances, the local authority must report the latest balances on DSG retained reserves.

- **High Needs Block** – Funding for the education of pupils with an identified special educational need and normally subject to an Education, Health and Care Plan (EHCP). The funding is for pupils from ages 0-25 in a range of provision including special schools, mainstream schools, alternative provision and independent specialist provision. It also contributes to council expenditure for High Needs support services.

- **Early Years Block** – Two-Year old Funding; Early Years Funding in Schools and Private, Voluntary and Independent provision (PVI)s; and local authority retained expenditure for under five-year olds.
- **Central School Services Block** – Funding for LAs to carry out central functions on behalf of pupils in state-funded maintained schools and academies.

4.5 High Needs budgets were overspent by £4.5m in 2019/20 (£2.3m in 2018/19), and efforts started in September 2019 to identify rising demands and pressures across High Needs, in an effort to bring costs down. In particular, an examination around expensive out of Borough day placements is being conducted, and a review of in-house sufficiency of places to meet the needs of these children.

4.6 In the 2020/21 High Needs funding settlement, Sefton received an extra £3.8m, which should help alleviate the spending position during the year alongside a recovery and improvement programme which will develop a model built on meeting the needs of children with SEND within the annual funding grant allocation.

4.7 Early Years underspent during the year, due mainly to the fluctuation in 3-4-Year-old take up of the free entitlement across the year, compared against the headcount census numbers taken in January 2019, when the Early Years funding was determined for 2019/20. 2-Year-old costs were overspent, where funding did not prove sufficient to meet extra costs of provision. During the year a new Early Years Development Group of Schools Forum has been established and is examining the use of Early Years funding towards training facility and other issues, including sustainability issues in 2020/21, following the Covid19 outbreak and lockdown. Plans are in place to support settings during this difficult period, to ensure sufficiency of childcare through the year. It is expected that additional funding, due to an increase in headcount at January 2020 will be given for 2020/21, and this may help in several ways, towards the added costs of support due to the Coronavirus. Early Years balances have been assisting in this respect to date, during 2020.

4.8 The Council's Centrally Retained DSG reserves are 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 2019, was a deficit of £0.230m. During 2019/20, this deficit has grown considerably, mostly due to the significant overspending of High Needs. This has taken the reserves into a net deficit position of £4.385m (see below).

<b><u>Centrally Retained DSG Balances</u></b>	<b><u>1 April 2019</u></b> <b><u>£m</u></b>	<b><u>Reallocation</u></b> <b><u>£m</u></b>	<b><u>Movement 2019/20</u></b> <b><u>£m</u></b>	<b><u>31 March 2020</u></b> <b><u>£m</u></b>
Schools Block	-0.375	0.000	-0.169	-0.544
Early Years Block	-3.038	2.700	-0.167	-0.505
High Needs Block	3.643	-2.700	4.491	5.434
	0.230	0.000	4.155	4.385

4.9 DfE permit Local Authorities to carry forward a deficit on their DSG Centrally retained balances, without any obligations on behalf of Local Authorities to support a deficit position out of core Council balances.

4.10 They DfE have offered to work more closely and in cooperation with Local Authorities, to support them in trying to reduce spending, particularly across High Needs, where most Authorities have been struggling to manage. First priority will be for the Authority to have plans to balance their in-year spending. They will also still be required to provide evidence, at the DfE's request, that overspending issues have been reported regularly to Schools Forum; and that measures are in place to arrest the situation, at least, over a three-year planned period. It has been acknowledged that the full recovery of accumulated deficits however, may not be possible, even over many years, and it is not certain at this stage, whether the DfE may consider, on a case by case basis, some extra funding, to write down some, or all, of their accumulated deficits in this respect.

4.11 With the review of High Needs underway, and the actions being taken as explained above, together with the increased settlement for High Needs funding in 2021/22, work will continue to bring expenditure in line with the budget available and then start to repay the existing deficit so as to reduce the financial risk to the Council.

## **5 Council Balances**

5.1 The change in the level of Council and School Balances as at 31 March 2020 are set out in the tables below:

	<b>£m</b>	<b>£m</b>
<b><u>Non-School General Fund Balances</u></b>		
Actual Non-School General Fund Balances at 31 March 2019		-7.539
Less underspend in comparison to the 2019/20 Base Estimate:		
- Assumed Use of Balances 2019/20	0.000	
- Overspend in 2019/20	0.555	
Actual Reduction in Balances in 2019/20		0.555
Actual Non-School General Fund Balances at 31 March 2020		<b>-6.984</b>

<b><u>Schools' Balances</u></b>	<b>£m</b>
Schools' balances as at 1 April 2019	-13.596
Overspend on Schools' Delegated Budgets	2.773
Schools' balances at 31 March 2020	<b>-10.823</b>

## **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 2019/20 is shown in the table below:

	Movements in 2019/2020	1 April 2019 £000s	Transfers in £000s	Transfers Out £000s	31 March 2020 £000s
(a)	Environmental Warranty	-11,000	0	2,000	-9,000
(b)	Insurance Fund	0	-1,371	0	-1,371
(c)	Transforming Sefton	-8,603	0	3,137	-5,466
(d)	Redundancy Reserve	-2,162	-2,000	2,162	-2,000
(e)	Capital Priorities Fund	-76	0	34	-42
(f)	Community Transition Fund	-889	0	230	-659
(g)	Contamination Clearance	-1,500	0	0	-1,500
(h)	Rating Appeals / Reduction in NDR Income Reserve	-2,254	0	2,254	0
(i)	MRP Adjustment Reserve	-399	0	399	0
(j)	Regeneration Schemes Reserve	-663	-30	500	-193
(k)	Revenue Grants and Contributions Unapplied	-6,677	-11,202	3,263	-14,616
(l)	Schools' Earmarked Reserves	230	-336	4,491	4,385
(m)	Other Earmarked Reserves	-5,752	-480	806	-5,426
	<b>Total</b>	<b>-39,745</b>	<b>-15,419</b>	<b>19,276</b>	<b>-35,888</b>
(n)	Temporary Use of Earmarked Reserves to Fund Pension Deficit Payment	10,154	-10,154	0	0
		<b>-29,591</b>	<b>-25,573</b>	<b>19,276</b>	<b>-35,888</b>

6.5 The main changes in Earmarked Reserves are as follows:

- a) **Environmental Warranty** – Budget Council in February 2020 approved the transfer of £2.000m from the Environmental Warranty Reserve to the Redundancy Reserve to fund the costs of any exit packages required as part of Framework for Change 2020 proposals.
- b) **Insurance Fund** – Some elements of the Council’s Insurance Fund have been reclassified having previously been accounted for as a Provision.
- c) **Transforming Sefton** – £2.484m has been utilised to fund previously approved expenditure, primarily involving the Cost of Change budget relating to Framework for Change 2017. In addition, **Cabinet is asked to approve the temporary utilisation of £0.653m from the reserve to fund increased Debt Charges in 2019/20 relating to the Minimum Revenue Provision (MRP)**. MRP costs are forecast to fluctuate over the next five years, resulting in an overall saving to the Council. It is proposed to smooth out the impact of the charges by utilising the Transforming Sefton Reserve and then contributing to the Reserve as charges reduce. It is forecast that by 2024/25 the Reserve will have been fully repaid and an ongoing saving will be available to the Council.
- d) **Redundancy Reserve** – As mentioned above, Budget Council in February 2020 approved the transfer of £2.000m from the Environmental Warranty Reserve to the Redundancy Reserve to fund the costs of any exit packages required as part of Framework for Change 2020 proposals. The balance on the reserve at the start of the year has been fully utilised to fund redundancy and pension strain costs resulting from Framework for Change 2017.
- e) **Rating Appeals / Reduction in Business Rates Income Reserve** – This Reserve was created when Business Rates Retention was introduced to smooth out any variations in income due to the implications not being fully known. Now the implications are known it is considered that the original purpose of the Reserve is no longer required, and any balance can be released back to the General Fund. **Cabinet is asked to recommend to Council that the balance on the Reserve (£1.976m) be released back to the General Fund in 2019/20 to support the outturn position.**
- f) **Revenue Grants and Contributions Unapplied** – There has been a large increase due to the receipt in March 2020 of emergency funding to support the Council’s response to the COVID-19 pandemic. This has been reserved to fund the costs that are being incurred in 2020/21.
- g) **Schools’ Earmarked Reserves** – See Section 4 for an explanation of the movements in these reserves.
- h) **Other Earmarked Reserves** – Cabinet in December 2019 were informed that a full review of Earmarked Reserves had taken place and identified £1.483m of reserves that were no longer required for their originally intended purpose. Cabinet acknowledged that these released reserves would be transferred to the following new reserves – Clean Air Zone (£0.530m); Children’s Social Care – additional staffing resources (£0.500m); Local Government Association – Graduate Training Programme (£0.140m); and, Litherland Sports Park – Improvements to Facilities (£0.250m). The balance of £0.063m would be released back into the General Fund to help support the in-year outturn position.

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.

## **7 Revenue Outturn 2019/20 - 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. 2019/20 represented the third year of that budget and from the financial results reported in this paper it can be seen that this three-year budget was achieved.
- 7.2 Whilst the position reported is largely 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 some of its main demand led budgets, Children's Social Care, Home to School Transport and Locality Services. 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. This approach and pressure was identified within the Budget report of February 2020 and significant additional resources were included in the budget for 2020/21.
- 7.3 The Council's accounts will be completed by the end of July 2020. They will then be 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 November 2020 for consideration, together with the ISA 260 report that will reflect their findings and conclusions.

## **Capital Outturn 2019/20**

### **8 Overall Position for 2019/20**

- 8.1 The approved capital budget for 2019/20 was £20.537m against which capital expenditure of £21.034m has been incurred at the year end. This has resulted in a year end variance of £0.497m. A service by service breakdown is shown in the following table:

<b>Service Area</b>	<b>Budget 2019/20</b>	<b>Actual Expenditure 2019/20</b>	<b>Variance to Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Adult Social Care</b>	2.914	2.730	-0.184
<b>Communities</b>	0.288	0.308	0.020
<b>Corporate Resources</b>	0.935	0.857	-0.078
<b>Economic Growth &amp; Housing</b>	0.146	0.414	0.268
<b>Education Excellence</b>	2.876	2.858	-0.018
<b>Highways &amp; Public Protection</b>	10.983	11.681	0.698
<b>Locality Services</b>	2.395	2.186	-0.209
<b>Total Programme</b>	<b>20.537</b>	<b>21.034</b>	<b>0.497</b>

8.2 In addition to the core programme, capital expenditure totalling £4.141m was incurred by the Council. This included Schools Devolved Formula Capital which is provided directly to and managed by schools and capitalisation of Highways & ICT expenditure. Total capital expenditure in 2019/20, including this was £25.175m.

## **9 Programme Funding**

9.1 The table below shows how the capital programme has been funded in 2019/20:

<b>Source</b>	<b>£m</b>
<b>Grants</b>	<b>19.396</b>
<b>Prudential Borrowing</b>	<b>4.615</b>
<b>Section 106</b>	<b>0.673</b>
<b>Capital Receipts</b>	<b>0.310</b>
<b>Contributions</b>	<b>0.171</b>
<b>Revenue Contribution</b>	<b>0.010</b>
<b>Total Programme Funding</b>	<b>25.175</b>

## **10 Key Explanations of Full Year Outturn Variance 2019/20**

### **10.1 Highways and Public Protection (£0.698m)**

The variance was mainly due to:

*M58 Junction 1 improvements (£0.826m)*

This scheme has incurred additional costs due to protracted land negotiations resulting in delays to works commencing, additional earthworks costs and construction delays due to wet weather. Negotiations are continuing with the contractor to agree a final cost.

However, the Council was successful in securing an additional funding contribution from the Combined Authority. This was granted on the understanding that sufficient expenditure was incurred within the financial year to enable the entire Combined Authority contribution to be claimed and as such significant expenditure was incurred towards the end of the year.

*Strategic Planning (-£0.123)*

This budget is set aside to support scheme development. In 2019/20 much of the strategic planning work was covered by separate development funding secured from the Combined Authority. This funding will be carried forward to 2020/21.

### **10.2 Locality Services Provision (-£0.209m)**

The variation was mainly due to the Vehicle Replacement Programme (-£0.256m). Following consultation with user departments regarding operational changes the replacement of some vehicles was deferred to 2020/21.

### 10.3 Adult Social Care (-£0.184m)

The variation was mainly due to Disabled Facilities Grant (-£0.162m). The underspend is due to reduced occupational therapist resource available to assess claims. This issue has been addressed and in future will ensure the grant is utilised effectively.

### 10.4 Economic Growth & Housing (£0.268m)

The variance is due to the acquisition of the Post Office in Bootle (£0.250). The budget for this scheme was included in the 2020/21 capital programme however, expenditure was incurred at the end of 2019/20. This was slightly earlier than anticipated and has been funded from 2020/21 budget resource

## **11 Programme Delivery 2019/20**

11.1 As would be expected with a capital programme of this size, the investment that has been incurred during the year has led to both the development and improvement of the council's infrastructure and supported the delivery of key outcomes as set out in the Framework for Change programme. The key areas of delivery are as follows:

### 11.1 Adult Social Care

#### 11.1.2 Disabled Facilities Grant Core Programme (£1.662m)

209 adaptations were completed during the year on behalf of clients including items such as stair lifts, vertical lifts, bathroom adaptations, extensions and hoists.

#### 11.1.3 ICT Development & Transformation (£0.215m)

The development of the functionality of Controcc, for both Adult and Children's Social Care, to make payments and improve management information has continued. This was making good progress and was due to commence in March 2019 for Adult Social Care but is now temporarily on hold due to Covid 19.

### 11.2 Education Excellence

#### 11.2.1 Healthy Pupils Capital Fund (£0.152m)

Work has been completed on projects at 17 schools to improve young people's physical and mental health. The new facilities include: 6 garden schemes, a classroom cabin, 3 all-weather surface/mile tracks, 2 sensory spaces, 2 two outdoor spaces, a kitchen/dining room refurbishment and 2 sets of sports/exercise equipment.



### 11.2.2 Schools Programme (£2.562m)

The main programme delivery achievements were as follows:

- Completion of one form entry classroom at Linaker Primary School;
- Completion of a new toilet facilities extension at Forefield Infant School;
- Completion of classroom refurbishment at Linacre Primary School;
- Remodelling at Great Crosby Primary School - this scheme is ongoing;
- Completion of improvements to school access at Hatton Hill Primary School;
- Phased completion of electrical wiring systems at Redgate Primary School (Phase 2) and Netherton Moss Primary School (Phase 1);
- Phased replacement of the heating system at Hudson Primary School;
- Various repairs to building fabric, boundary walls and security fencing across five sites; and
- Various inspections relating to statutory compliance activities in school buildings.

### 11.2.3 Special Educational Needs and Disabilities (SEND) (0.145m)

The following has been accomplished in support of SEND provision:

- Enabling works completed at Crosby High School (Phase 1) to improve accessibility and circulation;
- Alterations to the former Sand Dunes Nursery and Waterloo Primary to provide new facilities and improved accessibility; and
- A complex needs base has been completed at a Redgate Primary to create additional specialist places.

## 11.3 Highways and Public Protection

### 11.3.1 M58 Junction 1 (£6.004m)

This scheme has achieved substantial completion. In order to open the slip roads Highways England (HE) needed to complete a number of audit and inspection processes. After some delay due to Covid 19 these have now been completed and some minor additional and rectification works ordered or completed. A date for opening will shortly be established.

### 11.3.2 Kirkby to Maghull Cycle Track (£0.231m)

The first stage of the cycle track has been completed and the second stage is out to tender. A couple of land deals are still outstanding, and every effort is being made to reach conclusion.

### 11.3.3 North Liverpool Key Corridor Improvements (£0.029m)

The works on Derby Road within the Sefton section are largely complete. Traffic management remains on the scheme whilst the contractor completes works within the Lookers site (within the Liverpool section) where land entry was only achieved in early June 2020

#### 11.3.4 A565 Corridor Improvements (Thornton) (£0.709m)

Works have been completed to the junction of Buckley Hill with Edge Lane and a Safety Audit has recently been completed.

#### 11.3.5 A59 Maghull Route Management (£1.340m)

Works have been completed to the junction of the A59 and Dover Road and a Safety Audit has been completed. Discussions are ongoing with the Combined Authority over the possibility for seeking funding for possible further schemes along the A59.

#### 11.3.6 Marine Parade Bridge (£0.124m)

Maintenance works and testing of the cables has been completed.

#### 11.3.7 Street Lighting (£0.484m)

The maintenance programme has replaced:

- 291 Street Lighting Columns;
- 103 Bollards;
- 59 Illuminated signs; and
- 432 Street Lighting Lanterns.

#### 11.3.8 Carriageway Resurfacing (£1.315m)

Work has been completed on 54,329m<sup>2</sup> of carriageway resurfacing and 76,056m<sup>2</sup> of micro-resurfacing treatments.

#### 11.4 Communities - Neighbourhoods and Partnerships

Expenditure of £0.225m was incurred on these schemes. Facilities and play grounds have been upgraded in the following parks; Rainbow Park, Marian Gardens, Abbeyfield Park and Hesketh Park. CCTV has been provided for Ainsdale and Linacre and a caged tipper vehicle purchased for neighbourhood work in Litherland.

#### 11.5 Locality Services

##### 11.5.1 Vehicles (£0.874m)

£0.874m was spent on 2 refuse vehicles, 4 caged tippers, 1 curtain side vehicle and 1 skip loader for cleansing and 12 vans for Green Sefton.

##### 11.5.2 Green Sefton (£1.245m)

Regional Coastal Monitoring Programme (CERMS) - this scheme incurred £0.742m through monitoring and analysing coastal change along the north-west coast. The bulk of programmed work has been completed including all beach surveys.

Crosby Coast protection and Flood Alleviation – this scheme incurred £0.275m on the development of a business case, undertaking environmental surveys and preparation of reports. Work is now ongoing to secure funding to commence the full scheme.

## **12 Capital Outturn 2019/20 - Conclusion**

12.1 The capital programme continues to be a key element of the councils' approach to meeting its core purpose. During the year expenditure has directly contributed to the delivery of key service priorities and services to residents and communities. The Executive Director Corporate Resources and Customer Services will continue to manage the financing of the capital programme to ensure that capital funding arrangements secure the maximum financial benefit to the Council in future years.

## **13 Corporate Performance 2019/20**

13.1 The Council has recognised that in considering its financial performance it should also provide details at year end of performance across a range of its services in order that it can demonstrate how outcomes that will drive the delivery of the core purpose relate to the budget.

13.2 This was discussed as part of the LGA Peer review and since that point work has commenced on developing a suite of information.

13.3 As a result, the Council's Corporate Performance Report for 2019/20 is attached as Appendix A and provides:-

- An introduction and contextual statement from both the Cabinet Member for Regulatory, Compliance and Corporate Services and the Chief Executive
- A detailed narrative on how the delivery of each element of the Council's core purpose has progressed during the year; and,
- A comprehensive suite of performance measures for key council activities for 2019/20 and how these compare to 2018/19.

13.4 It is acknowledged that when reporting various Council activities on a year on year basis that there will be a degree of subjectivity within some areas, that a lot of Council activity is driven via demand from residents and businesses for which it has no direct control and the external economic environment also impacts upon core activity. That said, those areas that are reported provide a clear view of the range of Council activity that is undertaken in supporting residents, communities and business across the Borough and how they support the core purpose.

13.5 This report is the first produced by the Council and will be reported annually at year end from this point on.