
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2016/17

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

16 August 2016

1 PURPOSE AND SUMMARY

- 1.1 This report provides the Executive Committee with budgetary control statements for the Council's General Fund based on actual expenditure and income to 30 June 2016 and explanations of the major variances between projected outturn expenditure/income and the current approved budget.**
- 1.2 The revenue monitoring position set out in this report is based on actual income and expenditure to 30 June 2016. The Council overall is projecting a balanced position with identified pressures currently being managed within departmental budgets. This balanced position assumes that remaining pressures of £0.716m relating to IT transformation will be funded in year from within existing budgets and plans for savings are being identified.
- 1.3 At 30 June 2016 58% of savings have been delivered, (£6.487m planned efficiency savings have been delivered as per the Financial Plan with £0.108m achieved by alternative, permanent measures and £0.527m delivered temporarily). The remaining 42% (£5.238m) is profiled to be achieved during the remainder of 2016/17. These savings are detailed in Appendix 3 to this report. Emphasis during 2016/17 needs to be placed on delivering the savings permanently as required by the Financial Plan. This is particularly the case as the scale of savings required during 2016/17 at £12.36m is significantly greater than the level of savings required in previous financial years. Failure to manage the pressures noted within existing budgets is a key financial risk to the Council in the current year.
- 1.4 Full details of pressures, risks and challenges are reported alongside the significant majority of areas of the Council's operation where approved budget plans remain on track are detailed in Appendix 1 to this report.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Executive Committee:**
- (a) notes the corporate monitoring position projected at 30 June 2016, the underlying cost drivers and the identified areas of financial risk as reflected in Appendix 1;**

- (b) approves the virements attached as Appendix 2;**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 3 and the ongoing action to ensure delivery of 2016/17 Financial Plan savings on a permanent basis; and**
- (d) notes that all management teams are focused on delivering measures to ensure a balanced outturn position is delivered in 2016/17 including delivery of £0.716m of savings to fund IT transformation via the CGI contract.**

3 PROJECTED OUTTURN

3.1 The summary included in Appendix 1 is projecting a balanced position at 30 June 2016. The revenue monitoring position set out in this report is based on actual income and expenditure to 30 June 2016. The Council overall is projecting a balanced position with forecast pressures being managed within departmental budgets.

3.2 Appendix 2 sets out the progress made by the end of Month 3 to deliver the savings approved in the Financial Plan in February 2016 plus a small number of prior year savings achieved by temporary means. 58% (£7.122m) of the savings have already been delivered within the current year. Of this total £6.487m planned efficiency savings have been delivered as per the Financial Plan with £0.108m achieved by alternative, permanent measures and £0.527m delivered temporarily. The remaining 42% (£5.238m) is profiled to be delivered over the remainder of the year.

3.3 Chief Executive's

The Chief Executive's department is currently projecting a balanced position. An area of significant pressure is a continuation of the delay in the SWAN project. Members will recall this resulted in a year-end pressure in 2015/16 and this issue continues to pose a risk to the 2016/17 revenue budget pending resolution of the contractual dispute. This issue, if not resolved, could result in projected pressures of around £0.400m in 2016/17. The Council is currently working through the legal aspects of the contract with Dumfries and Galloway Council to determine the most appropriate course of action.

3.4 People

The Children & Young People's Service has savings to deliver in 2016/17 of £3.685m. The service has already delivered 80% of this saving as planned. Where required, alternative savings have been identified to facilitate full delivery of the Financial Plan savings enabling the service to project a balanced year-end position. The commencement of the new academic year will allow teacher and support staff numbers to be confirmed once the September 2016 census results are known with certainty. Maintaining teacher numbers at 2015 levels is a priority for the service.

3.5 Since the last monitoring round, Adult Services have successfully secured £2.048m of funding from the Social Care Fund, £0.813m of which is to cover the 2016/17 impact of the Living Wage from October 2016. A further paper is being developed to draw down further resources of £1.427m from the Social Care Fund to cover identified contract increases and other service pressures. Assuming there is approval for this at the Integration Joint Board (IJB) on 15 August, Adult Services is projecting a breakeven outturn position. Should approval not be gained through the IJB this would result in significant pressures of £1.427m requiring alternative mitigating action to be taken in conjunction with NHS Borders under the Health & Social Care partnership.

3.6 Place

The Place department is currently projecting a balanced position. Challenging Financial Plan savings are planned to be delivered and identified pressures are being addressed within existing departmental budgets. To date £1.550m has been delivered with a further £1.340m

profiled to be delivered in the remainder of the financial year. The department is managing a range of pressures within SBC contracts where reduced gross margin on Contract Works and Surfacing has resulted in a pressure. Neighbourhood Operational pressures continue to be managed within the wider Neighbourhood Services budgets.

3.7 **Other/Funding**

Within Other a balanced budget position is forecast.

3.8 **ICT**

As part of the May monitoring report, presented to the Corporate Management Team, all departments were asked to put forward proposals to provide budget to support the £2m corporate pressure within IT transformation following approval to sign the CGI contract. Following the allocation of the 2015/16 underspend of £1.284m to this pressure, a further saving of £0.716m remains to be found from within Council departments. The most recent monitoring has highlighted that there is full commitment from CMT addressing this shortfall, however, firm deliverable proposals have yet to be identified. The Corporate Management Team has instructed all managers to prioritise the delivery of financial plan savings including identification of the remaining £0.716m savings towards IT transformation. The monitoring position reported at month three assumes this pressure will be funded in year.

4 IMPLICATIONS

4.1 **Financial Recommendations**

There are no costs attached to any of the recommendations contained in this report, its content being specifically related to the performance of the revenue budget in 2016/17.

4.2 **Risk and Mitigations**

There is a risk that further cost pressures may emerge as the year progresses which may then impact further on the bottom line, particularly within People and Place departments. Every effort must continue to be made by Service Directors to contain projected spend in the remainder of the year and to consider permanent effects on the Financial Plan.

4.3 It is imperative therefore that all savings identified within the 2016/17 and previous financial plans are delivered permanently to ensure affordability and budget sustainability.

4.4 The risks identified above are being managed and mitigated through:

- (a) monthly reports of actual expenditure and income against approved budgets being made available to budget managers from the Council's Financial Information System;
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Directors and monthly reporting to CMT;
- (c) engagement with departments and review of monthly management accounts by departmental management teams;

- (d) supporting departmental corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.5 Equalities

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4.6 Acting Sustainably

There are no significant effects on the economy, community or environment.

4.7 Carbon Management

No effect on carbon emissions are anticipated from the recommendation of this report.

4.8 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

4.9 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation are required as a result of this report.

5 CONSULTATION

- 5.1 Depute Chief Executives, Service Directors and their relevant staff have been involved in and agreed the compilation of the budgetary control statements appended.
- 5.2 The Service Director Regulatory Services as Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments have been incorporated into the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:
Previous Minute Reference:

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