
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2016/17

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

14 February 2017

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 31 December 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 31 December 2016. The Council is projecting a balanced position to 31 March 2017 with identified pressures currently being managed within departmental budgets. This balanced position includes delivery of the remaining IT contract pressure of £0.539m (total of £2m delivered in 2016/17), covers all known Corporate Transformation pressures and reflects the earmarking of £1.441m from 2016/17 into 2017/18 to support the Financial Plan on a one-off basis.
- 1.3 At 31 December 2016 97% of savings have been delivered, (£8.272m planned efficiency savings delivered as per the Financial Plan with £0.188m achieved by alternative, permanent measures and £3.577m delivered temporarily). The remaining 3% (£0.323m) is profiled to be achieved during the remainder of 2016/17. Further management effort during the remainder of 2016/17 needs to be placed on ensuring all savings delivered temporarily in 2016/17 can be delivered permanently in 2017/18. The £3.577m delivered temporarily in 2016/17 presents a potential financial risk in 2017/18 in light of the significant and challenging savings which require to be delivered as part of the 2017/18 Financial Plan. This risk will be mitigated by proactive management actions.
- 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 31 December 2016, the underlying cost drivers and the identified areas of financial risk as reflected in Appendix 1;**
- (b) notes the virements attached as Appendix 2 and 3; and**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 4 and the ongoing action to ensure delivery of 2016/17 Financial Plan savings on a permanent basis.**

3 PROJECTED OUTTURN

- 3.1 The summary revenue monitoring position included in Appendix 1 is based on actual income and expenditure to 31 December 2016. The Council is projecting a balanced position to 31 March 2017 with a range of forecast pressures being managed within departmental budgets. This balanced position includes delivery of the remaining IT contract pressure of £0.539m (total of £2m delivered in 2016/17), covers all known Corporate Transformation pressures and reflects the earmarking of £1.441m from 2016/17 into 2017/18 to support the Financial Plan on a one-off basis.
- 3.2 A base budget is in place to fund the core Corporate Transformation team. Investment in this team, over the last 2 financial years, has been significantly higher than base budget in order to support the level of transformational change in the organisation. The Council faces significant challenges in reshaping the workforce and modernising its service delivery and support arrangements, to this end the Chief Executive has issued an instruction on the 20 January 2017 to impose a freeze on discretionary spend until the 31 March 2017 with the intention of generating year end underspends to support the Council's financial position.
- 3.3 Appendix 4 sets out the progress made by the end of Month 9 to deliver the savings approved in the Financial Plan in February 2016 plus a small number of prior year savings achieved by temporary means. 97% (£12.037m) of the savings have already been delivered within the current year. Of this total £8.272m planned efficiency savings have been delivered as per the Financial Plan with £0.188m achieved by alternative, permanent measures and £3.577m delivered temporarily. The remaining 3% (£0.323m) is profiled to be delivered over the remainder of the year. Emphasis now needs to be placed on ensuring that all savings delivered temporarily in 2016/17 have permanent plans in place for 2017/18.
- 3.4 **Chief Executive's**
The Chief Executive's department is currently projecting a balanced position and is relying on pressures in the 2016/17 IT contract being fully met corporately within the Council as reflected in Appendix 1. An area of significant potential pressure is a continuation of the delay in the SWAN project. This delay 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. The Council continues to work through the legal aspects of the contract with Dumfries and Galloway Council to determine the most appropriate course of action.

3.5 **People**

The Children & Young People's Service is projecting an underspend of £444k as a result of service efficiencies during 2016/17. This underspend is being used to support Corporate pressures primarily in IT. All Children & Young People's Service 2016/17 Financial Plan savings have now been delivered as per the Financial Plan or by alternative means with initial delays in delivery now addressed. There has been no change in External Placements in the third quarter of the Financial Year and costs arising from any further placements will be managed within the Children & Families Social Work Service.

- 3.6 Projected outturn in Adult Services is currently showing a budget pressure of £387k. These pressures which are due to increases in care packages and an additional 20 residential bed numbers over and above budget will be met by internal management actions and anticipated seasonal fluctuations and as such are not reflected as a pressure within Appendix 1. It is proposed to address these pressures permanently from Social Care & Health funding in 2017/18.

3.7 **SBCares**

The SBCares Senior Management Team developed a programme of work to deliver the agreed business plan for 2016/17. The delivery and implementation of the programme of projects continues to be challenging. As reported to Members in the last monitoring round an opportunity to address the gap in achieving the target contribution was being considered through a stock valuation adjustment for ability equipment. An approach has now been agreed with SBCares External Auditors KPMG and it is estimated that stock will be capitalised for £650k. This will support a large portion of the contribution gap from the timing issues in delivering projects during 2016/17 leaving a £97k pressure. The CMT are confident that the freeze on discretionary spend enacted in the last 3 months of the year will deliver the necessary saving to offset the current SBCares pressure of £97k. Actions to deliver £924k of savings required by the business plan for 2017/18 are progressing and SBCares management have programmes of work already in place to deliver a large majority of this on a permanent basis.

3.8 **Place**

A projected balanced position is forecast for the Place department. The areas of pressure arising are from a lower surplus in SBC Contracts (£200k) and reduced planning fee income (£285k). Both of these pressures have been fully covered by under-spends elsewhere within the Place department and from Housing.

The Council has now received the Bellwin Claim Audit Certification from KPMG for all eligible Bellwin related works, which totals £4.3m. The audited claim has now settled at the full value (£3.8m taking account of the Council's required contribution of £0.508m).

3.9 **Other/Funding**

Within Other an underspend position is forecast which is allowing the transfer of budget to support pressures elsewhere in the Council. The most significant underspend being in Loans Charges as a result of favourable interest rates and the tactical decision to defer borrowing to finance capital expenditure. Known pressures in Corporate Transformation are being funded including the continued management of the in-house delivery costs of Business World implementation.

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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