
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2017/18

**Report by the Chief Financial Officer
EXECUTIVE COMMITTEE**

5 September 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 30 June 2017 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 the 30 June 2017 and represents the first monitoring reports generated from the Council's new integrated Finance & HR ERP (Enterprise Resource Planning) system, Business World. After the first quarter of 2017/18 the Council's overall is projecting a balanced position at 31st March 2018 with all known pressures now being managed within the Council's overall 2017/18 revenue budget.
- 1.3 The implementation of Business World from the 1st April 2017 has been achieved following a 13 month build period, significantly truncating the normal time for a build of this scale and complexity. This has inevitably meant that a number of areas of system functionality have not yet been developed fully including changes to the method of corporate financial monitoring and reporting, with more involvement for service managers in taking responsibility for financial projections. The Corporate Management Team (CMT) have reviewed the impact delays in system functionality may have on the delivery of Digital Transformation savings in 2017/18 and have taken a prudent approach of identifying alternative savings for up to £1m of savings in the current year.
- 1.4 As shown in Appendix 3 as at 30 June 2017 53% (£6.515m) of the savings have been delivered within the current year. The remaining 47% (£5.821m) are profiled to be delivered during the remainder of 2017/18. Emphasis during 2017/18 needs to be placed on delivering as many savings as possible permanently as per the Financial Plan especially considering the scale of savings required during 2017/18 (£12.336m).
- 1.5 Full details of pressures, risks and challenges 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 2017, the underlying cost drivers and the identified areas of financial risk as reflected in Appendix 1;**
- (b) approves the virements attached as Appendix 2; and**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 3.**

3 PROJECTED OUTTURN

3. The revenue monitoring position set out in this report and summarised in Appendix 1 is based on actual income and expenditure to the 30 June 2017. The monitoring position overall is projecting a balanced position at 31st March 2018 with all known pressures now being managed within the Council's overall 2017/18 revenue budget.
3. The monitoring process at the end of the first quarter highlighted significant budget pressures of £1.583m as a result of in year delays in the delivery of Financial Plan savings. CMT undertook a thorough reassessment of budget projections and as such were able to fully address this budget pressure through reallocation of existing budgets as shown below:

Description	Saving £m
Delays in delivery of Digital Transformation savings	(0.970)
Delays in delivery of further efficiencies from SBCares	(0.463)
Delays in review of commissioning arrangements (grants)	(0.150)
Total Pressures	(1.583)
Operational efficiencies from across the Council	0.683
Efficiencies within Children & Young People	0.500
Council Tax income	0.400
Total available budget	1.583

3. Appendix 3 sets out the progress made by the end of month 3 to deliver the savings approved in the Financial Plan in February 2017 plus prior year savings achieved temporarily during 2016/17. 53% (£6.515m) of the savings have been delivered within the current year (33%, (£4.084m) as per the Financial Plan, 4% (£0.427m) by alternative means on a permanent basis and 16% (£2.004m) by alternative means on a temporary basis. The remaining 47% (£5.821m) is profiled to be delivered during the remainder of 2017/18.

3. Culture & Sport

- 3 The service is currently expecting to achieve a balanced year end position and have contributed £30k to offset pressures in fully delivering digital transformation savings.

3. Assets & Infrastructure

- 4 Infrastructure & Asset Management are projecting a balanced position. There are key areas of underlying revenue budget pressure for which firm plans will need to be developed and implemented over the coming months. These pressures include Financial Plan savings expected from the Roads Review, the Janitorial element of the Cleaning Services review which is subject to on-going Trade Union discussions and savings within Neighbourhood Services. The SBC Contracts surplus is forecast as being on budget but this can be influenced by market conditions, operational performance and contract tenders won and will be carefully monitored on a monthly basis. Waste Management Service are undertaking several key pieces of work including development of the Waste transfer station, kerbside collection modelling, and the procurement of the residual waste

contract.

3. **Economic Development & Corporate Services**

5 The service is projecting a balanced position; financial plan savings in communications and marketing are progressing with a corporate change to advertising and print required.

3. **Health & Social Care**

6 Health and social care services are currently projecting a breakeven outturn position. Underlying this however are a range of areas of financial pressure across the functions that require the direction of the Integration Joint Board's 2017/18 social care funding allocation to meet them in order to deliver this position. These pressures include meeting the continued need to provide residential care and Housing with Care to older clients and support to Adults with Learning Disabilities at a level in excess of that budgeted, ongoing increased demand for equipment, demand for self-directed support and the requirement to increase the rate for direct payments in line with the increased implementation of the (and a higher) living wage for carers. The projected breakeven position is therefore dependent on the Integration Joint Board directing a further £707k of its social care funding allocation to these pressures at its August board meeting and a further £285k of funding on consideration of a wider report on the Borders Ability and Equipment Service, when it next meets in September.

There are two key areas of financial risk currently inherent within the health and social care services' position. Firstly, the impact of the EU working time directive and living wage implications will have a significant impact on the provision of night support sleep-ins and its potential cost. Without service redesign, it is estimated that this could cost the service an additional £1.6m per annum. Work is currently being undertaken examining options for reducing this impact and whilst no date has yet been identified by when this must take effect, direction of sufficient resources by the IJB, together with additional funding from the Scottish Government are both expected to be required in order to ensure ongoing affordability of service provision.

The second key area of financial risk relates to the delivery of the planned social care savings programme. More than half of these planned savings (£779k) are dependent on the delivery of the planned IJB integrated transformation programme which remains in development and any slippage in this development will require a combination of direction of additional gap funding by the IJB on a non-recurring basis this year and additional mitigating remedial actions to be identified and delivered during the remainder of 2017/18.

3. **Children & Young People**

7 The Children & Young People's Service has new Financial Plan savings to deliver in 2017/18 of £1.2m and savings carried forward of £0.6m from 2016/17 as not having been delivered permanently. A further £268k has to be identified from the schools Business Support review to contribute to Corporate Transformation efficiencies. Work is ongoing to deliver these savings permanently with approximately 50% already delivered and where this is not possible alternative savings are being identified to project a balanced in year position. The commencement of the new academic year

will allow teacher and support staff numbers to be confirmed by September 2017. Maintaining teacher numbers at 2016 levels is a priority for the service in delivering Scottish Government policy. Pupil equity funding of £1.84m has been given to schools for the new academic year with increased staffing being put in place to deliver the plans agreed with Headteachers. The expansion of Early Years provision to 1,140 hours per child is being rolled out from August 2017 in seven locations (Burnfoot / Coldstream / Eyemouth / Greenlaw / Kirkhope / Langlee and Philliphaugh) and is fully funded by a £0.482m Scottish Government revenue allocation.

3. **Customer & Communities**

8 Reviews within Business Support and Customer Advice & Support services are underway and expected to meet financial plan savings within the directorates.

3. **Finance, IT & Procurement**

9 A balanced position is projected following the transfers from Allocated Balances within the General Fund Reserve and Loans charges as previously agreed by Executive Committee as part of the approved IT Business Case. Work is ongoing to permanently rebase the IT budgets across the Council following the signing of the contract with CGI.

3. **Human Resources**

10 The service is reporting a balanced position following reallocation of budgets to fund pressures within the service and a contribution to corporate pressures.

3. **Regulatory Services**

11 Regulatory Services is forecasting a balanced position overall. An agreed increase from the Scottish Government on the level of planning fees on certain types of application should help to support the critical planning fee income stream. First quarter income has been good and a virement of £170k is being made from Waste which allows a balanced annual position for Planning to be forecast in 2017/18. Actual income will be monitored closely on a monthly basis.

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 2017/18.

4.2 **Risk and Mitigations**

- (a) There is a risk that further cost pressures may emerge as the year progresses which may impact on the outturn position. Every effort must continue to be made by Service Directors to contain spend in the remainder of the year and to consider permanent effects on the Financial Plan.
- (b) Complexities around the implementation of Business World alongside unprecedented levels of change and delivery of financial savings within the organisation are contributing to a challenging operating environment.
- (c) It is imperative that as many savings as possible identified within the 2017/18 and future financial plans are delivered permanently to ensure affordability and budget sustainability.

- (d) The risks identified above are either being managed or will be mitigated through:
 - (i) Independent Internal Audit assurance has been carried out on the integrity of the revenue budget data migrated to Business World.
 - (ii) monthly reports of actual expenditure and income against approved budgets being made available to budget managers from the Council's Business World System.
 - (iii) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Service Directors and monthly reporting to CMT.
 - (iv) engagement with directorates and review of monthly management accounts by management teams.
 - (v) supporting corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.3 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.

4.4 Acting Sustainably

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

4.5 Carbon Management

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

4.6 Rural Proofing

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

4.7 Changes to Scheme of Administration or Scheme of Delegation

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

5 CONSULTATION

- 5.1 Service Directors and their relevant staff have been involved in and agreed the compilation of the budgetary control statements appended.
- 5.2 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Service Director HR and the Clerk to the Council have been consulted in the preparation of this report and any comments received incorporated into the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
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Background Papers:**Previous Minute Reference:**

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