
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2017/18

Report by the Chief Financial Officer EXECUTIVE COMMITTEE

21 November 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 September 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 September. After the second quarter of 2017/18 the Council's budget 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. The Council is managing a significant number of risks and pressures in the current year including delays in the delivery of a number of savings required in the 2017/18 budget. For this reason CMT has agreed restrictions on discretionary budgets and the Chief Executive has now written to managers regarding restrictions on discretionary spend for the remainder of 2017/18. This budgetary action aims to mitigate any further budget pressures which may arise during the remainder of 2017/18 and maximise year end underspend opportunities to support transformational change going forward. The approach adopted around restricting discretionary spend towards the end of the financial year has been very beneficial to the Council in previous financial years.
- 1.3 In the last revenue monitoring report it was highlighted to Elected Members that work was ongoing to stabilise the new Business World ERP system. Work to enhance BW functionality is progressing with CGI. Since the date of the last monitoring report good progress has been made with regard to development of the Council's online reporting capability and budget monitoring reports are now in the process of being rolled out to budget managers.
- 1.4 As shown in Appendix 4 as at 30 September 2017 78% (£9.607m) of the savings have been delivered within the current year. The remaining 22% (£2.729m) are profiled to be delivered during the remainder of 2017/18. Emphasis during the remaining 6 months of 2017/18 needs to be placed on delivering as many savings as possible permanently as per the Financial Plan.
- 1.5 Full details of pressures, risks and challenges are detailed in Appendix 1 to this report. Appendix 2 reflects virements required to realign budgets in line with current forecasts. Appendix 3 reflects earmarking of £1m which has been transferred to Allocated Balances to support the 2018/19

Financial Plan.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:-

- (a) notes the corporate monitoring position projected at 30 September 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 in order to realign budgets in 2017/18 in line with current forecasts;**
- (c) approves the earmarking of budget from 2017/18 attached as Appendix 3;**
- (d) notes the progress made in achieving Financial Plan savings in Appendix 4; and**
- (e) notes the action taken by the Corporate Management team to deliver a balanced budget in the current year.**

3 PROJECTED OUTTURN

3.1 The revenue monitoring position set out in this report and summarised in Appendix 1 is based on actual income and expenditure to the 30 September 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.

3.2 The Chief Executive has communicated with services regarding restrictions on discretionary spend for the remainder of 2017/18. This approach will mitigate any further budget pressures which may arise during the remainder of 2017/18 and maximise year end underspend opportunities to support delivery of the 2018/19 Financial Plan and transformational change within the Council. This approach of restricting discretionary spend towards the end of the financial year has been very beneficial to the Council in previous financial years.

3.3 Appendix 2 reflects virements required to realign budgets in line with current forecasts. Appendix 3 reflects earmarking of £1m which following earmarking has been allocated within Allocated Balances to support the 2018/19 Financial Plan.

3.4 Appendix 4 sets out the progress made by the end of month 6 to deliver the savings approved in the Financial Plan in February 2017 plus prior year savings achieved temporarily during 2016/17. 78% (£9.607m) of the savings have been delivered within the current year, 44%, (£5.467m) as per the Financial Plan, 4% (£0.490m) by alternative means on a permanent basis and 30% (£3.65m) by alternative means on a temporary basis. The remaining 22% (£2.729m) is profiled to be delivered during the remainder of 2017/18.

3.5 Culture & Sport

The service is projecting a balanced position.

3.6 Assets & Infrastructure

Infrastructure & Asset Management are projecting a balanced position which can be delivered through additional income to address pressures in 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.

3.7 Economic Development & Corporate Service

The service is projecting a balanced position following appropriate virements to address highlighted corporate service pressures.

3.8 Health & Social Care

Budget pressures have been identified within the service, specific areas to note include an increase in the volume of care at home packages over the last 6 weeks and the likely delays in certain savings proposals to 2018/19 as a result of slippage in the IJB transformation programme, offset by projected savings across community-based services attributable to ongoing redesign and changes to clients' care and support plans. In order to achieve a balanced outturn position, further savings and additional income measures totalling £300k over the remainder of the financial year are now required. This includes the direction of the remaining social care funding of £0.127m by the Integration Joint Board and the development of an Action Plan to deliver the remaining £0.173m required to balance the budget. At present the service is experiencing significant difficulties with regard to the recruitment and retention of

appropriate numbers of care staff looking after elderly and vulnerable clients. This group of staff are essential to support the Council and the NHS joint strategy of minimising delayed discharge in hospitals and it may be necessary in the current climate to pay a market supplement rate in order to attract and retain staff.

3.9 **Children & Young People**

The Children & Young People's Service is forecasting a balanced position for 2017/18. Work is ongoing to deliver Financial Plan savings permanently with £1.059m (60%) already delivered, £357k (20%) profiled to be achieved as forecast, and £345k (20%) to be achieved by alternative means in the 2017/18 year. The commencement of the new academic year has allowed teacher and support staff numbers to be confirmed with teacher numbers having been maintained at 2016 levels as required by the Scottish Government. Pupil equity funding of £1.84m has been given to schools for the 2017/18 academic year.

3.10 **Customer & Communities**

Reviews within Business Support and Customer Advice & Support services are now complete and expected to meet revised financial plan savings targets within the departments. The pressure within Housing Benefit will be met from Council Tax reduction scheme as has occurred in previous years. A review of Housing Benefit Income and Expenditure is underway and a permanent virement will be actioned upon its completion.

3.11 **Finance, IT & Procurement**

The service is projecting a balanced position following appropriate virements to allocate corporate budgets across the Council to address budget pressures.

3.12 **Human Resources**

The service is reporting a balanced position following appropriate virements to contribute to corporate pressures and the earmarking of budget to support the 2018/19 Financial Plan. The agreed 2017/18 pay award has been implemented and back pay has been paid to all employees in October 2017.

3.13 **Regulatory Services**

The service is projecting a balanced position following appropriate virements to address highlighted corporate service pressures.

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 significant 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 over 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 which 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;
 - (vi) action being taken with CGI to enhance the system and deliver outstanding functionality as agreed in the original business case.

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

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Background Papers:

Previous Minute Reference:

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