
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2017/18

Report by the Chief Financial Officer
EXECUTIVE COMMITTEE

14 February 2018

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 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 31 December. After the third quarter of 2017/18 the Council overall is projecting a balanced position at 31st March 2018 with all known pressures being managed within the 2017/18 revenue budget. It should be noted, however, that this balanced position is wholly dependent on additional funding of £601k being directed from the IJB and a failure to fund this will result in a corresponding adverse variance against budget.
- 1.3 The Chief Executive's instruction to restrict discretionary spend for the remainder of 2017/18 has contributed to this forecast balanced position and will remain in place 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 the financial position of the Council. 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.
- 1.4 Previous monitoring reports in 2017/18 have highlighted to Elected Members that work is ongoing to stabilise the new Business World ERP system. Ongoing technical difficulties are still being experienced including bank reconciliation and payroll, the resolution of these issues is being managed by external consultants and being paid for by CGI. Work to enhance BW functionality is progressing with CGI and steady progress continues to be made against an agreed rectification plan.
- 1.4 As shown in Appendix 4 as at 31 December 2017 97% (£11.856m) of the savings have been delivered within the current year. The remaining 3% (£0.430m) are profiled to be delivered during the remainder of 2017/18. Emphasis during the remaining 3 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 includes earmarking of £1m which has been transferred to Allocated Balances to support the 2018/19

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:-

- (a) notes the corporate monitoring position projected at 31 December 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 31 December 2017. The monitoring position overall is projecting a balanced position at 31st March 2018 with all known pressures being managed within the Council's overall 2017/18 revenue budget. It should be noted, however, that this balanced position is wholly dependent on additional funding of £601k being directed from the IJB and a failure to fund this will result in a corresponding adverse variance against budget a report regarding this funding is on the IJB agenda for the 12 Feb 2018.
- 3.2 The Chief Executive's instruction to enact restrictions on discretionary spend for the remainder of 2017/18 has positively impacted on the current forecast position. This approach will continue for the remainder of 2017/18 with the aim of mitigating any further budget pressures which may arise during the remainder of 2017/18 and maximise year end underspend opportunities to support the financial position of 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 There is a risk of a pressure within Neighbourhood Services during the remainder of the financial year in salt and manpower due to the recent demand on the service during the adverse weather conditions. This may require a drawdown of funding through the Adverse Weather Reserve at the year end.
- 3.4 Members will recall the financial impact of delays in the delivery of the Scottish Wide Area Network (SWAN) as reported to the Executive Committee as part of the 2016/17 outturn report. The Council is continuing to work with Dumfries & Galloway Council in seeking to recover these costs as part of legal proceedings. Updates will be provided to Elected Members as they become available.
- 3.5 Appendix 2 reflects virements required to realign budgets in line with current forecasts. Appendix 3 includes earmarking of £1m which has been allocated within Allocated Balances to support the 2018/19 Financial Plan.
- 3.6 Appendix 4 sets out the progress made by the end of month 9 to deliver the savings approved in the Financial Plan in February 2017 plus prior year savings achieved temporarily during 2016/17. 97% (£11.856m) of the savings have been delivered within the current year (57%, (£6.954m) as per the Financial Plan, 5% (£0.618m) by alternative means on a permanent basis and 35% (£4.284m) by alternative means on a temporary basis. The remaining 3% (£0.430m) is profiled to be delivered during the remainder of 2017/18.

3.7 Culture & Sport

The service is projecting a balanced position following the earmarking of budget to support pitch maintenance in 2018/19.

3.8 Assets & Infrastructure

A&I is projected an overall balanced position. Budget pressures in the Cleaning Service, Property Management Service and Estates income pressure have been identified. The A&I Directorate will cover these pressures through strict expenditure controls in the final quarter of 2017/18 to deliver a balanced outturn position. There is a risk of a budget pressure due to the recent demand of the service during the adverse weather conditions. This may require funding through the Adverse

Weather Reserve at the year end.

3.9 Economic Development & Corporate Services

The review of Economic Development continues, contributing towards an underspend position which is being earmarked into 2018/19 to support the 2018/19 Financial Plan.

3.10 Health & Social Care

Health and Social Care services are experiencing significant financial pressure across those services delegated to the Health and Social Care Partnership. These pressures are primarily attributable to demand - across each service where financial pressure is being experienced, there are consistently additional levels of service being commissioned than the budget enables, either due to a greater number of clients or more intensive care and support being required. This is particularly the case across Older People homecare, housing with care, extra care housing and respite (£609k). A small increase in the number of clients with intensive care requirements has resulted in a projected adverse position within the Physical Disability service (£202k).

Where possible, Health and Social Care services have identified areas where savings can be delivered in order to mitigate these pressures (£153k Mental Health / £28k Learning Disability / £29k Generic), but at this stage of the financial year, the Council has no option but to request additional funding which the IJB has available to mitigate the pressures (Social Care Funding and Older People's Change Fund). This has therefore been assumed in the projected bottom line above - a total of £601k has been requested. The direction of this resource is critical to the service achieving a breakeven position.

3.11 Children & Young People

The Children & Young People's Service is forecasting a balanced position for 2017/18 with pupil, teacher and other support staff numbers for the 2017/18 academic year confirmed. The service is proposing to earmark £0.859m of forecast underspend towards the funding of the 2018/19 Financial Plan. 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%) be achieved by alternative means in the 2017/18 year.

3.12 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. A review of Housing Benefit income and expenditure is underway and any necessary budgetary adjustments will be undertaken upon its completion.

3.13 Finance, IT & Procurement

The service is projecting a balanced position following appropriate virements to address budget pressures costs of business world rectification are being met by CGI including the costs of external consultants.

3.14 Human Resources

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

3.15 Regulatory Services

The service is projecting a balanced position following appropriate

virements to address budget 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 risk that further cost pressures may emerge as the year progresses which may impact on the outturn position. The major significant risk being the costs of winter. 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.
 - (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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