
2017/18 UNAUDITED REVENUE OUTTURN

Report by the Chief Financial Officer EXECUTIVE COMMITTEE

19 June 2018

1 PURPOSE AND SUMMARY

- 1.1 This report provides Members with a statement comparing final revenue outturn expenditure and income for 2017/18 with the final approved budget for the year along with explanations for significant variances.**
- 1.2 An unaudited outturn underspend of £1.029m was achieved in the 2017/18 revenue budget. The £1.029m underspend (0.4% of final approved budget) was delivered following a number of earmarked balances approved by the Executive Committee during 2017/18. In total, these amount to £7.998m and relate to a number of initiatives across departments and specifically include £2.442m of carry forward for Devolved School Management (DSM including PEF) and £2m approved to support the 2018/19 Financial Plan. A review of the provision for bad debts has identified a requirement for funding of £0.165m to ensure the provision remains in line with management's assessment of high risk outstanding debts. This revises the outturn net balance after bad debts to £0.864m. A high level summary of the outturn position in each Council department is detailed in section 4 of this report.
- 1.3 2017/18 was a year of huge change for the Council with the new ERP system going live in April 2017. There has been an ongoing programme of work during the year to amend the system configuration to reflect the live operating environment and to provide additional functionality not ready at go live. Work to stabilise the system and provide a platform for the realisation of future benefits has now largely concluded.
- 1.4 The financial position of the Council has been materially affected by the prolonged winter weather and the outturn position reflects additional costs of winter gritting and snow clearance following significant snow falls during February and March 2018.
- 1.5 2017/18 represents the second operational year of the Health & Social Care partnership which has resulted in a fundamentally different way of working with NHS Borders. Demand pressures within integrated Health & Social Care services during 2017/18 required additional funding of £0.57m to be provided by the IJB to support the revenue budget along with a further £0.4m from core Council budgets during the year.

- 1.6 Overall, as required in the Financial Plan, savings of £12.286m were successfully delivered during 2017/18. Of these, £7.807m (64%) were delivered permanently. The remaining £4.479m (36%) of savings were achieved on a temporary basis. Particular emphasis is being placed on the permanent delivery of these savings during the early part of 2018/19 or where this is not possible on the identification of alternative proposals.

2 RECOMMENDATIONS

2.1 It is recommended that the Executive Committee:

- (a) Agrees the content of this report and notes the outturn position for 2017/18 prior to Statutory Audit;**
- (b) Notes that this draft unaudited outturn position will inform the budgetary control process during 2018/19 and financial planning process for the current and future years;**
- (c) Approves the adjustments to previously approved earmarked balances noted in Appendix 1;**
- (d) Agrees the outturn net balance of £0.864m should be directed to support delivery of the challenging 2018/19 Financial Plan.**

3 BACKGROUND

- 3.1 On 20 February 2018, Council approved an updated Financial Strategy for the years 2018/19 - 2022/23. Specifically within the Financial Strategy, the key financial objectives were to:
- (a) set a prudent, sustainable budget in line with available resources;
 - (b) continue to invest in infrastructure that will raise standards, improve quality of life for local communities and reduce future demand for services;
 - (c) set a capital programme which keeps debt within prudent sustainable limits as set out in the treasury strategy,
 - (d) provide for loans charges of £20.467m (2018/19) to finance capital investment recognising the long term implications of capital borrowing;
 - (e) maximise income while keeping fees charged to service users at an affordable level;
 - (f) continue to invest in new ways of working and efficiency projects to deliver long term financial savings and service benefits;
 - (g) focus on preventative revenue and capital spend; and,
 - (h) recognising the challenges faced by the organisation, maintain unallocated reserves of £6.315m for 2018/19 in line with the assessed risk register.
- 3.2 The assessment as at 31 March 2018 is that despite financial pressures arising during the 2017/18 financial year the approved strategy remains appropriate and assured with unallocated balances of £6.315m now in place as planned from the 1st April 2018.
- 3.3 2017/18 was the final year of the 5 year Financial Plan first published in 2013/14 and the Council therefore set a new 5 year plan in February 2018 covering the period 2018/19 to 2022/23. The first 5 year plan, which has been amended and updated each year since 2013/14, has delivered savings of £35.5m as at the end of 2017/18. This has been achieved through the delivery of transformational change and service efficiencies in a planned manner.
- 3.4 During 2017/18 detailed Revenue Monitoring Reports were reviewed by Corporate Management Team regularly allowing appropriate corporate management action to be taken during the year where required. In line with Financial Regulations quarterly monitoring reports were submitted to the Executive Committee. Where appropriate, approval was sought from the Executive Committee to vary the budgets through virement throughout the year.

- 3.5 Detailed budgetary control reports for 2017/18 were submitted for consideration by the Executive Committee on:
- (a) 5 September 2017 (as at the end of June);
 - (b) 21 November 2017 (as at the end of September);
 - (c) 14 February 2018 (as at the end of December).
- 3.6 Additionally, a further report requesting final virements and earmarked balances was presented to the Executive Committee on 13 March 2018.
- 3.7 In addition to reporting actual expenditure and income to date, these reports projected a final outturn position compared against the latest approved budget and provided explanations for material variances. This report now compares the final, but unaudited, outturn for 2017/18 with final approved budgets.
- 3.8 It was agreed in November 2017 that all Services would impose a freeze on discretionary spend during the remainder of 2017/18 in order to assist the Council's overall financial position. The favourable outturn position at year-end has been assisted by this planned management action.

4 FINAL OUTTURN STATEMENT

- 4.1 The revenue account for 2017/18 delivered a favourable variance of £1.029m (0.4% of final approved budget). The outturn includes adjustments for earmarked balances brought forward from previous years and those carried forward to 2018/19. Key points to note from the outturn position are:
- The Council operated within a challenging environment during 2017/18 as a result of the launch of Business World ERP, the new integrated Finance, HR and Procurement system. The scale and complexity of this transformational change required significant resource commitment within the Council. Despite an extensive programme of system and user acceptance testing undertaken before April 2017, subsequent changes were required to the configuration of the system and ongoing work was required during the year to ensure the system is fit for purpose in a live operating environment. Work to deliver system functionality not available at "go live" has continued during 2017/18 and required an element of manual processes and system work arounds to be maintained during the year. A prioritised risk based approach to budget monitoring was adopted to ensure that any risks posed to the control environment by the new systems were mitigated.
 - The prolonged period of adverse winter weather experienced in February and March 2018 has resulted in an adverse outturn position of over £1.4m within Asset & Infrastructure. This has been partly offset by an allocation of £0.401m funding from the Scottish Government which is the Council's share of a £10m national funding package in response to the extreme weather experienced across Scotland. The Council's winter reserve of £1m has been effectively deployed and subsequently replaced within the overall Council position. It is important that the Council retains a sufficient adverse weather reserve within overall revenue balances to deal with periods of weather that are more severe than the norm. Despite the late snow the overall winter was not significantly severe.

A high level summary of the outturn position in each Council department is shown below. The detailed outturn statement for the 2017/18 revenue budget is shown in Appendix 1.

4.2 Culture & Sport

Favourable £0.044m

A small favourable outturn position was delivered in Culture & Sport due to lower than anticipated costs of pitch management.

4.3 Asset & Infrastructure

Adverse £1.453m

Asset & Infrastructure experienced a challenging 2017/, particularly around the period of adverse weather during February and March 2018. As explained above this resulted in a net pressure to the Council of over £1m. The adverse weather also impacted on Catering income due to school closures.

4.4 Economic Development & Corporate Services

Adverse £0.033m

Economic Services and Corporate services recorded a largely balanced year end position with the exception of Commercial Property income which was 4% lower than the challenging income budget set. Despite this an occupancy rate of 90% was achieved.

4.5 Health & Social Care including Public Health

Adverse £0.110m

Health & Social Care experienced significant demand pressures in 2017/18, a relatively minor adverse net variance was achieved at year end of £0.110m but it should be noted that the service was supported by additional £1m funding throughout the year to address demand pressures and delays in delivering Financial plan savings.

4.6 Children & Young People

Favourable £0.553m

Children & Young People delivered a managed underspend through management actions around non filling of vacancies and implementation of the corporate freeze on discretionary spend.

4.7 Customer & Communities

Favourable £0.338m

Underspends have been achieved during the year due to non-filling of vacancies reflecting process improvements within Business Support and the cessation of non-essential spend across the services.

4.8 Finance, IT & Procurement

Favourable £0.783m

Savings have been delivered through the restructuring of the service following the launch of Business World. Corporate underspends within Loans Charges, IT and Non Domestic Rates rebates are held within this service position.

4.9 Human Resources

Favourable £0.085m

Underspends have been achieved during the year due to non-filling of vacancies and the cessation of non-essential spend.

4.10 Regulatory Services

Favourable £0.339m

Increased income from Planning fees and Transport along with savings from discretionary spend have resulted in a favourable year end position within Regulatory Services.

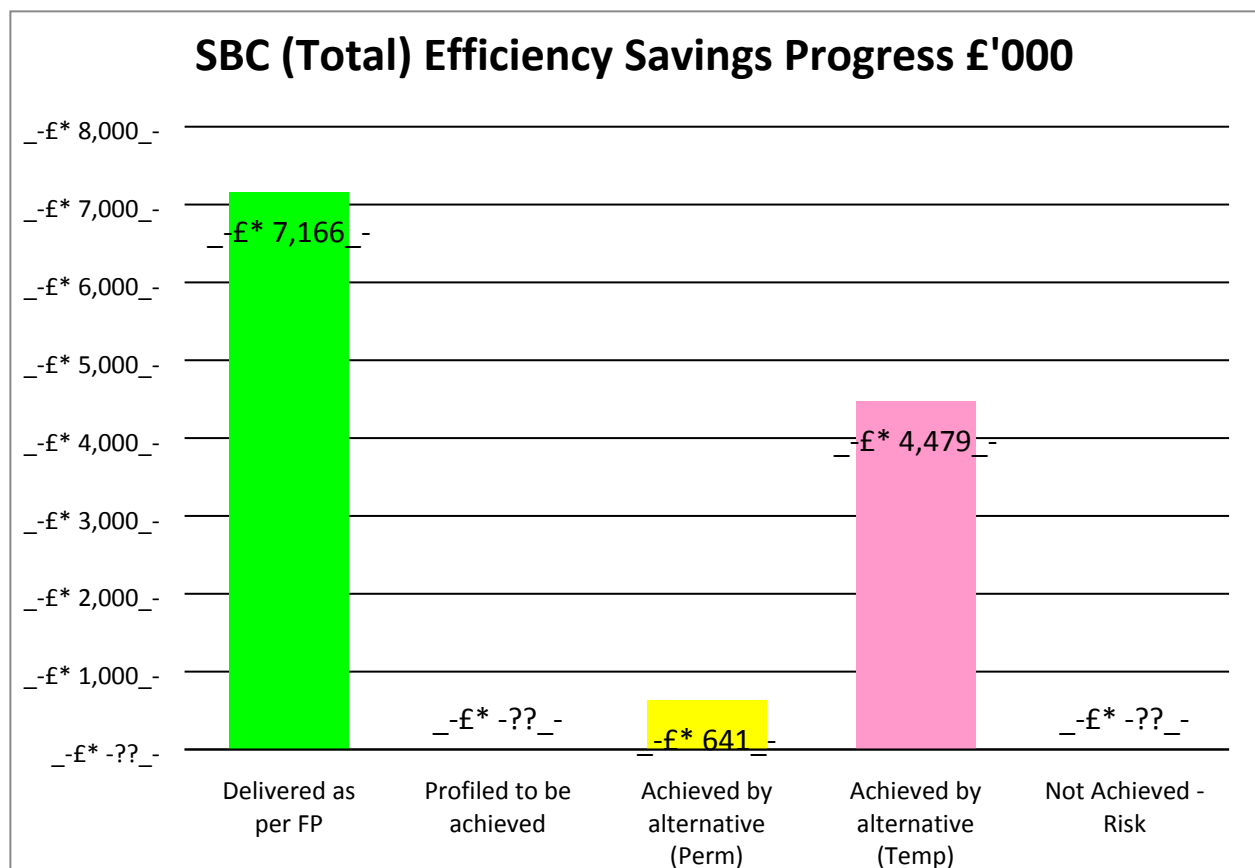
4.11 Funding (Including Council Tax)

Favourable £0.484m

Council Tax of £57.798m was billed compared to an original budget estimate of £57.202m included in the 2017/18 financial plan; giving an overall favourable position of £0.596m. As part of the in-year monitoring processes an additional £0.839m income was projected bringing the final revised income budget to an anticipated £58.041m, the actual Council tax billed by year end was marginally lower than this position, however, giving an adverse year end position against the revised budget of £0.243m. This is offset by lower than anticipated spend within the Council Tax Reduction Scheme of £0.729m.

5 FINANCIAL PLAN SAVINGS

- 5.1 A summary of the delivery of all savings agreed within the 2017/18 Financial Plan is outlined in Appendix 2 to this report and is summarised for the Council as a whole below:



- 5.2 Overall, savings of £12.286m were delivered during 2017/18. Of these, £7.807m (64%) were delivered permanently (£7.166m (59%) as intended and £0.641m (5%) by alternative means). The remaining £4.479m (36%) of savings were achieved on a temporary basis and thus these savings will require to be addressed permanently during 2018/19. The Corporate Management Team is now focussing particular emphasis on the permanent delivery of these remaining 2017/18 savings during the early part of

2018/19 or the identification of alternative proposals.

- 5.3 The chart above highlights the continuing scale of savings being delivered within the Council on an ongoing basis with a further £12.286m being delivered in 2017/18, £7.8m permanently. £8.96m of savings were delivered on a permanent basis in 2016/17, £6.62m in 2015/16, £6.571m in 2014/15 and £4.579m in 2013/14, demonstrating the scale of change undertaken within the Council over the last 5 years. It should be noted that a significantly greater level of savings were required in 2016/17 and 2017/18 compared to previous years. The savings not yet delivered on a permanent basis, however, highlight the need for robust scrutiny and challenge by Senior Officers and Elected Members and reinforces the importance of effective budgetary control being maintained by managers and regular reporting during the financial year. The delivery of savings is the key to the ongoing financial sustainability and stability of the Council and the risks of non-delivery pose a significant threat to the delivery of the financial plan. Ongoing effort will be required going forward to further improve this delivery performance due to the scale of further savings required in 2018/19.

6 YEAR END POSITION

- 6.1 The favourable outturn position reported is subject to the statutory audit process. There is a requirement to increase the Council's bad debt provision by £165k to ensure the provision remains in line with management's assessment of high risk outstanding debts. This leaves a remaining outturn balance of £0.864m.
- 6.2 Recognising the significant programme of change which requires to be delivered in 2018/19 including savings not yet delivered brought forward from previous years, it is recommended that the £0.864m underspend is directed to 2018/19 to support delivery of the Financial Plan.

7 IMPLICATIONS

- 7.1 **Financial Recommendations**
There are no costs attached to any of the recommendations contained in this report its content being specifically related to reporting the revenue account outturn as at 31 March 2018.
- 7.2 **Risk and Mitigations**
The final outturn position reported is subject to the external audit. Additionally, the recurring impact of reported pressures during the financial year and the temporary achievement of £4.479m of planned efficiency savings will require to be addressed on a permanent and recurrent basis in 2018/19. As part of the Council's approach to risk, financial risks have been identified and are being managed at a Corporate level owned by the Chief Financial Officer.
- 7.3 **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.
- 7.4 **Acting Sustainably**
There are no significant effects on the economy, community or environment.

7.5 Carbon Management

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

7.6 Rural Proofing

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

7.7 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.

8 CONSULTATION

- 8.1 The Corporate Management Team, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR and the Clerk to the Council have been consulted and any comments have been reflected in the report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

| Name | Designation and Contact Number |
|--------------|---|
| Suzy Douglas | Financial Services Manager 01835 824000 x5881 |

Background Papers:
Previous Minute Reference:

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Contact us at Suzy Douglas, Council Headquarters, Newtown St Boswells, Melrose, TD6 0SA; Tel: 01835 824000 X5881.