
2015/16 UNAUDITED REVENUE OUTTURN

Report by the Chief Financial Officer EXECUTIVE COMMITTEE

07 June 2016

1 PURPOSE AND SUMMARY

- 1.1 **This report provides Members with a statement comparing final revenue outturn expenditure and income for 2015/16 with the final approved budget for the year and explanations for significant variances.**
- 1.2 An unaudited outturn underspend of £1.284m was achieved in the 2015/16 revenue budget. The £1.284m underspend (0.49% of Final Approved Budget) was delivered following a number of earmarked balances approved by the Executive Committee during 2015/16. In total, these amount to £12.720m and relate to a number of initiatives across departments and specifically include £1.906m of carry forward for Devolved School Management (DSM). A high level summary of the outturn position in each Council department is detailed in section 4 of this report.
- 1.3 Overall, as required in the Financial Plan, savings of £7.825m were successfully delivered during 2015/16. Of these, £6.620m (85%) were delivered permanently. The remaining £1.205m (15%) of savings were achieved on a temporary basis and thus particular emphasis is being placed on permanent delivery of these savings during the early part of 2016/17.

2 RECOMMENDATIONS

- 2.1 **It is recommended that the Executive Committee:**
- (a) Agrees the content of this report and notes the outturn position prior to Statutory Audit;**
 - (b) Notes that this draft unaudited outturn position will inform the budgetary control process and financial planning process for the current and future years; and**
 - (c) Approves the adjustments to earmarked balances noted above and in Appendix 1.**

3 BACKGROUND

- 3.1 On 11 February 2016, Council approved an updated Financial Strategy for the years 2016/17 - 2020/21. This was the fourth year in of an ongoing rolling five year Revenue Financial Plan, which was underpinned and delivered by the medium-term Financial Strategy. During this period from 2013/14 to 2015/16 cumulative savings of £28.608m have been delivered in the Council. Specifically within the Financial Strategy, the key financial objectives were stated:
- (a) continue to freeze council tax in 2016/17;
 - (b) set a prudent, sustainable budget in line with available resources;
 - (c) continue to invest in infrastructure through a sustainable capital programme financed by £20.485m loans charges per annum;
 - (d) maximise income while keeping fees charged to service users at an affordable level;
 - (e) continue to invest in corporate transformation and efficiency projects to deliver long term financial savings and service benefits;
 - (f) focus on preventative revenue and capital spend; and,
 - (g) maintain unallocated reserves of £5.638m for 2016/17 in line with the assessed risk register.
- 3.2 The assessment as at 31 March 2016 is that despite financial pressures arising during the 2015/16 financial year and the requirement to fund a range of pressures including, ERVS, the budgeted shortfall in pay award and the Council's contribution to the Bellwin claim, the approved strategy remains appropriate and assured with the unallocated balances of £5.638m as planned.
- 3.3 During 2015/16 detailed Revenue Monitoring Reports were reviewed by Corporate Management Team on a monthly basis allowing corporate corrective 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 budget through budget virements throughout the year.
- 3.4 Detailed budgetary control reports for 2015/16 were submitted for consideration by the Executive Committee on:
- (a) 18 August 2015 (as at the end of June);
 - (b) 17 November 2015 (as at the end of September);
 - (c) 16 February 2016 (as at the end of December).
- 3.5 Additionally, a further report requesting final virements and earmarked balances was presented to the Executive Committee on 22 March 2016.
- 3.6 In addition to reporting actual expenditure/income to date, these reports projected a final outturn position compared against latest approved budget and provided explanations for material variances and sought approval for necessary budget virements. This report now compares the final, but unaudited, outturn for 2015/16 with final approved budgets.
- 3.7 It was agreed at the 24 February 2016 Corporate Management Team that all Services would impose a freeze on discretionary spend during the

remainder of 2015/16 in order to mitigate against further potential pressures within Adult Services during the remainder of the financial year and also maximise opportunities to support Corporate Transformation in 2016/17. The position at year-end is partly as a result of this planned management action.

4 FINAL OUTTURN STATEMENT

4.1 The revenue account for 2015/16 delivered a favourable variance of £1.284m. The outturn includes adjustments for earmarked budget brought forward from previous years and earmarked 2015/16 budgets carried forward to 2016/17. A high level summary of the outturn position in each Council department is shown below. The detailed outturn statement for the 2015/16 revenue budget is shown in Appendix 1.

4.2 Chief Executive

Favourable £0.069m

The department achieved a favourable variance of £0.069m at 31 March 2016. This is despite significant pressures arising from the Scottish Wide Area Network (SWAN) project which have been covered within the department. These pressures have been offset within the wider Chief Executive's department through the impact of the freeze on non-essential discretionary spend and specific Service items detailed in Appendix 1.

4.3 People Department

Children & Young People

Favourable £0.438m

At 31 March 2016, the Children & Young People department is carrying forward £0.874m in respect of Devolved School Management (DSM) balances for Primary Schools and £1.032m in relation to Secondary Schools. A net year-end favourable variance of £0.438m arising in the main from lower than anticipated cost of implementation of increased Early Years provision (£0.233m), lower than anticipated contracted services costs and savings in discretionary spend have delivered a £0.210m favourable out-turn in Integrated Children's Services.

4.4 Adult Services

Adverse £0.107m

Adult Services experienced a considerable range of pressures during 2015/16, many of which have been addressed through remedial actions being identified and delivered and, going forward, by investment within the 2016/17 Financial Plan to increase the capacity in Residential Care and Care at Home in line with current demand. The main service area which experienced significant financial pressure in 2015/16 remains Older People.

4.5 Business Support – People

Favourable £0.063m

The budget pressure in Adult Services above is partly off-set by a favourable variance in Business Support as a result of the freeze on discretionary spend and staff vacancies.

4.6 Place

Commercial Services

Favourable £0.378m

Within the Place department, Commercial Services has delivered a favourable variance at 31 March 2016 of £0.378m. This is attributable to a number of factors including strong last quarter trading performances from Fleet Management £0.086m and SBC Contracts £0.086m. Reduced food

costs in catering due to lower food waste levels and improved school meal uptake £0.124m.

4.7 **Neighbourhood Services**

Favourable £0.442m

Neighbourhood Services have achieved a favourable variance position at the 31 March 2016 of £0.442m. Additional income of £0.102m was achieved within Customer services largely due to a higher than projected last quarter across Housing Benefit Overpayment recovery. Improved efficiencies including reduced hired equipment within the Langlee Aggregates Yard and planned vacancy controls across the department in preparation for 2016/17 financial plan savings delivered a further £0.270m. The residual underspend was generated through the freeze on non-essential discretionary spend in the last quarter of 2015/16. Favourable dry weather conditions during March resulted in reduced leachate costs from Langlee.

4.8 **Regulatory Services**

Favourable £0.195m

A favourable variance at 31 March 2016 of £0.195m was attributable to additional anticipated funding for Individual Electoral Registration £0.090m along with savings as a result of the corporate freeze on discretionary spend and delayed recruitment.

4.9 **Business Support**

Favourable £0.032m

A small favourable variance was delivered in the Place Business Support team in the main as a result of savings in employee costs due to delayed recruitment into their new structure.

4.10 **Other Services**

Favourable £0.082m

Overall, there was a favourable variance of £0.082m within Other Services at 31 March 2016. This is partly due to an underspend in Council Tax Reduction Scheme (CTRS) of £0.085m. Demand for CTRS is related to customer circumstances, awareness and Council Tax levels. Council Tax levels have been static for some time compared to generally increasing household income levels which reduces the number of households who are eligible. There is also a small underspend of £0.015m in Loans Charges as a result of favourable interest rates.

4.11 **Financed By**

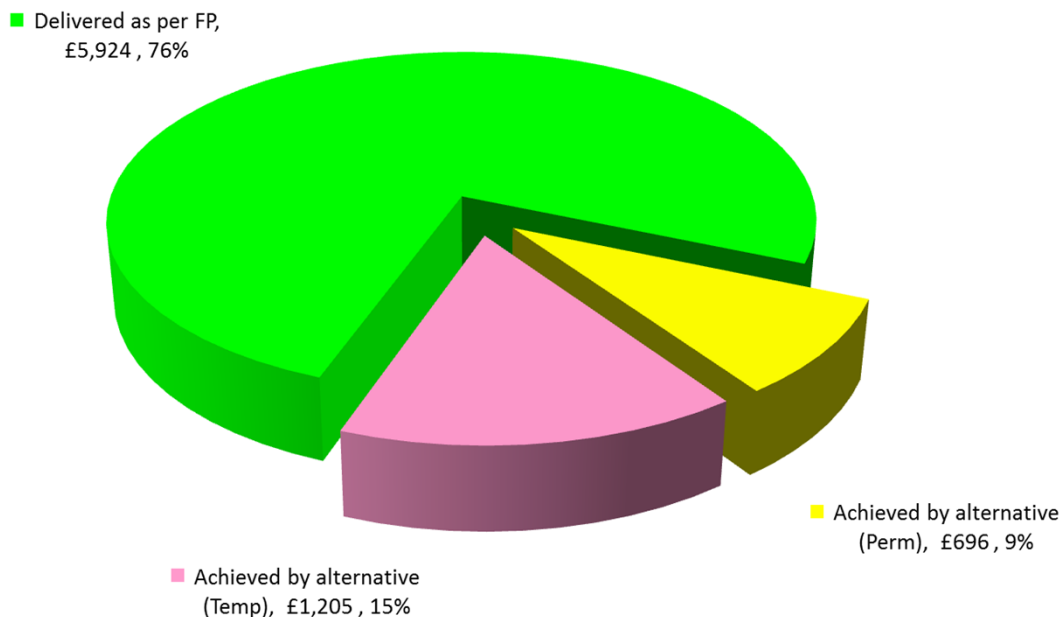
Income Pressure £0.308m

The Council received lower than previously projected Council Tax income of £0.308m during 2015/16 partly due to higher than anticipated exemptions and discounts along with adjustments to the Council Tax bad debt provision.

5 FINANCIAL PLAN SAVINGS

- 5.1 A summary of the delivery of all savings agreed within the 2015/16 Financial Plan is outlined in Appendix 2 to this report and can be summarised for the Council as a whole as:

SBC (Total) Efficiency Savings Progress £'000



5.2 Overall, savings of £7.825m were delivered during 2015/16. Of these, £6.620m (85%) were delivered permanently (£5.924m (76%) as intended within the Financial Plan and £0.696m (9%) by alternative means). The remaining £1.205m (15%) of savings were achieved on a temporary basis and thus these savings will require to be addressed permanently during 2016/17. Council management team is placing particular emphasis on the permanent delivery of these remaining 2015/16 savings during the early part of 2016/17.

5.3 The chart above continues to highlight the ongoing sustained improvement overall in the delivery of agreed savings with 85% of savings delivered on a permanent basis. 80% of savings were delivered on a permanent basis in 2014/15, 70% in 2013/14 and 50% in 2012/13, improving confidence in the robustness of the financial planning process. The savings not yet delivered on a permanent basis highlight the need for robust scrutiny and challenge by Senior Officers and Elected Members and reinforces the importance of regular reporting during the financial year. Ongoing effort will be required going forward to further improve this delivery performance due to the scale of savings required in 2016/17.

6 YEAR END POSITION

6.1 The favourable outturn position reported is subject to the statutory audit process. Members will recall that the IT project approved in March 2016 requires a funding contribution from Council budgets and it is proposed that following the audit process the year end underspend be allocated to support the costs of IT implementation.

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 2016.

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 15% of planned efficiency savings will require to be addressed in 2016/17.

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)

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Background Papers:
Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. David Robertson can also give information on other language translations as well as providing additional copies.

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