
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2016/17

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

15 November 2016

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 2016 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 30 September 2016. The Council is projecting a balanced position to 31 March 2017 with identified pressures currently being managed within departmental budgets. This balanced position assumes that £0.539m relating to the IT contract, where CMT have given a corporate commitment to fund the pressures, will be addressed in the remainder of the financial year. Pressures of £0.290m to support the Corporate Transformation programme also require to be funded.
- 1.3 At 30 September 2016 71% of savings have been delivered, (£6.959m planned efficiency savings delivered as per the Financial Plan with £0.108m achieved by alternative, permanent measures and £1.759m delivered temporarily). The remaining 29% (£3.534m) is profiled to be achieved during the remainder of 2016/17. A detailed review of remaining savings has been undertaken as detailed in Appendix 3 to this report. Further emphasis during 2016/17 needs to be placed on delivering the savings permanently as required by the Financial Plan. The current value of savings delivered temporarily in 2016/17 is £1.759m, these savings need to be delivered on a permanent basis and considered as part of the budget process.
- 1.4 Full details of pressures, risks and challenges are reported alongside the significant majority of areas of the Council's operation where approved budget plans remain on track 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 September 2016, the underlying cost drivers and the identified areas of financial risk as reflected in Appendix 1;**
- (b) approves the virements attached as Appendix 2;**
- (c) notes the progress made in achieving Financial Plan savings in Appendix 3 and the ongoing action to ensure delivery of 2016/17 Financial Plan savings on a permanent basis;**
- (d) approves the transfer of £1.683m into Allocated Reserves to contribute towards IT Transformation (£0.177m) and agreed contribution to the 2017/18 Financial Plan (£1.506m);**
- (e) notes that all management teams are focused on delivering measures to ensure a balanced outturn position is delivered in 2016/17 including delivery of £0.539m of savings to fund IT contract costs and £0.290m to support Corporate Transformation.**

3 PROJECTED OUTTURN

- 3.1 The summary revenue monitoring position included in Appendix 1 is based on actual income and expenditure to 30 September 2016. The Council is projecting a balanced position to 31 March 2017 with forecast pressures being managed within departmental budgets. There is a commitment from CMT to fund £0.539m of IT contract costs and pressures of £0.290m to support Corporate Transformation.
- 3.2 Appendix 3 sets out the progress made by the end of Month 6 to deliver the savings approved in the Financial Plan in February 2016 plus a small number of prior year savings achieved by temporary means. 71% (£8.826m) of the savings have already been delivered within the current year. Of this total £6.959m planned efficiency savings have been delivered as per the Financial Plan with £0.108m achieved by alternative, permanent measures and £1.759m delivered temporarily. The remaining 29% (£3.534m) is profiled to be delivered over the remainder of the year.
- 3.3 **Chief Executive's**
The Chief Executive's department is currently projecting a balanced position. An area of significant pressure is a continuation of the delay in the SWAN project. Members will recall this resulted in a year-end pressure in 2015/16 and this issue continues to pose a risk to the 2016/17 revenue budget pending resolution of the contractual dispute. This issue, if not resolved, could result in projected pressures of around £0.550m in 2016/17. The Council is currently working through the legal aspects of the contract with Dumfries and Galloway Council to determine the most appropriate course of action.
- 3.4 **People**
The Children & Young People's Service has savings to deliver in 2016/17 of £3.685m. The service has now delivered approximately 84% of this saving as planned. Where required, alternative savings have been identified to facilitate full delivery of the Financial Plan savings enabling the service to project a balanced year-end position. Identified savings pressures in the Additional Needs Service from delays in implementation of Inclusion for All savings are forecast to be met from available funding in the Early Years Service. External Placements remains an area of potential pressure, the financial impact of recent placements in the second quarter of the year are being managed within the Children & Families Service. Within the projected balanced position the service has been able to make a £0.100m contribution to one-off costs associated with the CGI contract. The September 2016 census confirms teacher numbers have been maintained in the 2016/17 academic year.
- 3.5 Projected outturn in Adult Services shows a breakeven position. Additional pressures due to increase of care packages and residential bed numbers will be met by internal management actions and anticipated seasonal fluctuations in the number of care packages provided.

- 3.6 Following representation from relatives a further phase of work has been authorised at the Waverley Care Home to ensure the full building is fit for purpose. This will be funded from acceleration of the Capital programme in the current year utilising the existing contractor. The work will reduce the number of long stay beds on the ground floor from 16 to 8 with en-suite facilities. Clearly the works will have an impact on revenue both through reduced income and savings in the staffing complement required to run the care home with a reduced number of residents. Detailed work to cost the revised operating model is ongoing and any consequences will require to be addressed in future revenue budgets.
- 3.7 SB Cares financial performance to date indicates a divergence from the savings reflected in the Council's approved 2016/17 budget. This is largely due to delays in the implementation of revised homecare rotas and pressures arising from delivering services to clients requiring increasingly complex packages of care. Indications are that pressures of £0.6m require to be addressed through alternative proposals. Options are under discussion between Finance, SB Cares management and SB Cares auditors to provide a one-off solution in the current year through a stock valuation adjustment. This should resolve the timing issues with delays during 2016/17 anticipated to be resolved by permanent savings delivered during 2017/18.
- 3.8 **Place**
A projected balanced position is forecast for the Place department. There are several potential cost and income pressures identified notably within Property & Facilities Management and in Planning where lower than forecast income is creating a potential in-year pressure. Place are actively reviewing all cost projections to identify savings from elsewhere within the Place Directorate to offset this pressure.
- 3.1 0 The first of 2 Bellwin Claims Audit claim has been audited by KPMG for works undertaken to 30th June 2016 with reimbursement of £3.8m (£3.3m net of Council contribution) relating to costs already incurred to support this claim anticipated shortly.
- 3.1 1 Following discussion at the Executive Committee meeting in August around allocating Neighbourhood Operations budgets into constituent parts, an allocation has been reflected in the Place section of Appendix 1 to this report. This information comes with the caveat that as Neighbourhood Operations operate an integrated budget with an integrated staffing model, the split can only be notional. A cross check has been undertaken to verify that the information is reasonable based on 2012 pre Neighbourhood Operations structure and also the information submitted to Scottish Government through the POBE (Projected Outturn, Budget Estimate) and LFR (Local Financial Return).

3.1 **Other/Funding**

2 Within Other a balanced budget position is forecast. £1.506m is being transferred from the financing costs of the capital programme as a result of favourable interest rates to fully provide for the previously agreed draw down from reserves as reflected in the 2016/17 Financial Plan. There are pressures of £0.290m associated with supporting the Corporate Transformation programme which require to be funded.

3.1 **ICT**

3 As part of the May monitoring report, presented to the Corporate Management Team, all departments were asked to put forward proposals to provide budget to support the £2m corporate pressure within IT transformation following approval to sign the CGI contract. Following the allocation of the 2015/16 underspend of £1.284m and departmental contributions of £0.077m to this pressure in previous reporting and a further contribution of £0.100m from Children & Young People, a saving of £0.539m remains to be found over the remainder of the year. The most recent monitoring has highlighted that while there are stated commitments from CMT to address this shortfall, proposals to address the residual balance have yet to be identified in the remainder of the year. The Corporate Management Team has instructed all managers to prioritise the delivery of financial plan savings including identification of the remaining £0.539m savings towards IT contract commitments. The monitoring position reported at month six assumes this pressure will be funded in year.

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 2016/17.

4.2 **Risk and Mitigations**

There is a risk that further cost pressures may emerge as the year progresses which may then impact further on the bottom line, particularly within People and Place departments. Every effort must continue to be made by Service Directors to contain projected spend in the remainder of the year and to consider permanent effects on the Financial Plan.

4.3 It is imperative therefore that all savings identified within the 2016/17 and previous financial plans are delivered permanently to ensure affordability and budget sustainability.

4.4 The risks identified above are being managed and mitigated through:

- (a) monthly reports of actual expenditure and income against approved budgets being made available to budget managers from the Council's Financial Information System;
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Directors and monthly reporting to CMT;
- (c) engagement with departments and review of monthly management accounts by departmental management teams;

- (d) supporting departmental corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.5 **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.

4.6 **Acting Sustainably**

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

4.7 **Carbon Management**

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

4.8 **Rural Proofing**

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

4.9 **Changes to Scheme of Administration or Scheme of Delegation**

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

5 **CONSULTATION**

- 5.1 Depute Chief Executives, Service Directors and their relevant staff have been involved in and agreed the compilation of the budgetary control statements appended.
- 5.2 The Service Director Regulatory Services as Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Chief Officer HR and the Clerk to the Council have been consulted and their comments have been incorporated into the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

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Background Papers:

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