2016/17 UNAUDITED REVENUE OUTTURN

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

20 June 2017

1 PURPOSE AND SUMMARY

1.1 **This report provides Members with a statement comparing final revenue outturn expenditure and income for 2016/17 with the final approved budget for the year and explanations for significant variances.**

1.2 An unaudited outturn underspend of £0.128m was achieved in the 2016/17 revenue budget. The £0.128m underspend (0.05% of final approved budget) was delivered following a number of earmarked balances approved by the Executive Committee during 2016/17. In total, these amount to £6.554m and relate to a number of initiatives across departments and specifically include £1.69m 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 £12.36m were successfully delivered during 2016/17. Of these, £8.963m (73%) were delivered permanently. The remaining £3.397m (27%) 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 2017/18.

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;

(c) Approves the adjustments to earmarked balances noted above and in Appendix 1; and

(d) Subject to the Statutory Audit approves the allocation of the 2016/17 underspend to the Early Retirement/Voluntary Severance (ER/VS) budget in 2017/18.

3 BACKGROUND

3.1 On 9 February 2017, Council approved an updated Financial Strategy for the years 2017/18 - 2021/22. Specifically within the Financial Strategy, the key financial objectives were stated to:

(a) set a prudent, sustainable budget in line with available resources;

(b) continue to invest in infrastructure through a sustainable capital programme financed by £19.952m loans charges per annum;

(c) maximise income while keeping fees charged to service users at an affordable level;

(d) continue to invest in corporate transformation and efficiency projects to deliver long term financial savings and service benefits;

(e) focus on preventative revenue and capital spend; and,

(f) maintain unallocated reserves of £5.638m for 2017/18 in line with the assessed risk register.

3.2 The assessment as at 31 March 2017 is that despite financial pressures arising during the 2016/17 financial year the approved strategy remains appropriate and assured with unallocated balances of £5.638m in place as planned.

3.3 2017/18 is the final year of the 5 year Financial Plan first published in 2013/14 and the Council has again set a rolling 5 year plan covering the period 2017/18 to 2021/22. The plan has been amended and updated each year since 2013/14 and to date savings of £26.87m through transformational change and service efficiencies have been delivered in a planned manner.

3.4 During 2016/17 detailed Revenue Monitoring Reports were reviewed by Corporate Management Team on a monthly basis allowing 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 budget virements throughout the year.

3.5 Detailed budgetary control reports for 2016/17 were submitted for consideration by the Executive Committee on:

(a) 16 August 2016 (as at the end of June);

(b) 15 November 2016 (as at the end of September);

(c) 14 February 2017 (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 21 March 2017.

3.7 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. This report now compares the final, but unaudited, outturn for 2016/17 with final approved budgets.

3.8 It was agreed on the 20 January 2017 that all Services would impose a freeze on discretionary spend during the remainder of 2016/17 in order to assist the Council's overall financial position. 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 2016/17 delivered a favourable variance of £0.128m. The outturn includes adjustments for earmarked budget brought forward from previous years and earmarked 2016/17 budgets carried forward to 2017/18. A high level summary of the outturn position in each Council department is shown below. The detailed outturn statement for the 2016/17 revenue budget is shown in Appendix 1.

4.2 **Chief Executive**
Adverse £0.538m
The outturn position for Chief Executive's reflects an adverse variance of £0.538m at 31 March 2017. This net position can be attributed to significant pressures arising from the Scottish Wide Area Network (SWAN) project (£0.575m). The Council is seeking to recover these costs as part of legal proceedings led by Dumfries & Galloway Council. The recognition of this potential income is not certain, however, and as such can only be reflected as a contingent asset within the Council's Statutory Accounts. A separate paper on the issues relating to SWAN is included elsewhere on this Executive Committee agenda as a private report. An additional pressure in IT of £0.272m due to phasing of expenditure between 2016/17 and 2017/18 has been met from other underspends within the wider Chief Executive's department delivered by the freeze on non-essential discretionary spend and specific Service items detailed in Appendix 1.

4.3 **People Department**
Children & Young People
Favourable £0.397m
At 31 March 2017, the Children & Young People department is carrying forward £0.548m in respect of Devolved School Management (DSM) balances for Primary Schools and £1.070m in Secondary Schools. The outturn is a net year-end favourable variance of £0.397m arising in the main from a £202k lower than anticipated spend in Central Schools, a £91k underspend in Children & Families Social Work as a result of reduced foster-care costs arising from placement management and staffing savings, and underspends of £55k in Early Years and £56k and in Additional Support Needs both arising from staff turnover savings.

4.4 **Adult Services including Social Care & Health Partnership**
Favourable £0.003m
Within Adult Services overall a minor underspend of £0.003m was delivered. This position finalises a year where the department encountered a variety of pressures through additional demand, provider costs and legislative pressures. In the main these were met by the direction of additional funding by the Social Care & Health Partnership to address the pressures during the financial year. Remaining service pressures experienced during the year were managed through non-recurring management actions such as vacancy management and ongoing care and

support plan review.

4.5 **Place**
Commercial Services
Favourable £0.088m
Within the Place department, Commercial Services has delivered a favourable variance at 31 March 2017 of £0.088m. This is attributable to a number of factors including strong last quarter trading performances from Fleet Management £0.037m and SBC Contracts £0.076m, higher bus subsidies income and lower Gala TI costs £0.027m, partially offset by an overspend on Property & Facilities of £0.068m.

4.6 **Neighbourhood Services**
Favourable £0.209m
Neighbourhood Services have achieved a favourable variance position at the 31 March 2017 of £0.209m. Lower than anticipated income of £0.101m was achieved within Customer services largely due to lower than projected penalty income and recovery of housing benefit overpayment in the last quarter of the year. Favourable dry weather conditions and reduced vehicle repairs during the last quarter resulted in reduced leachate costs of £0.073m from Langlee and reduced vehicle costs of £0.076m. Small underspends across Environmental Services in staffing, premises, materials and additional income have resulted in favourable variance of £0.108m. The residual underspend in Neighbourhood Services was generated through the freeze on non-essential discretionary spend in the last quarter of 2016/17.

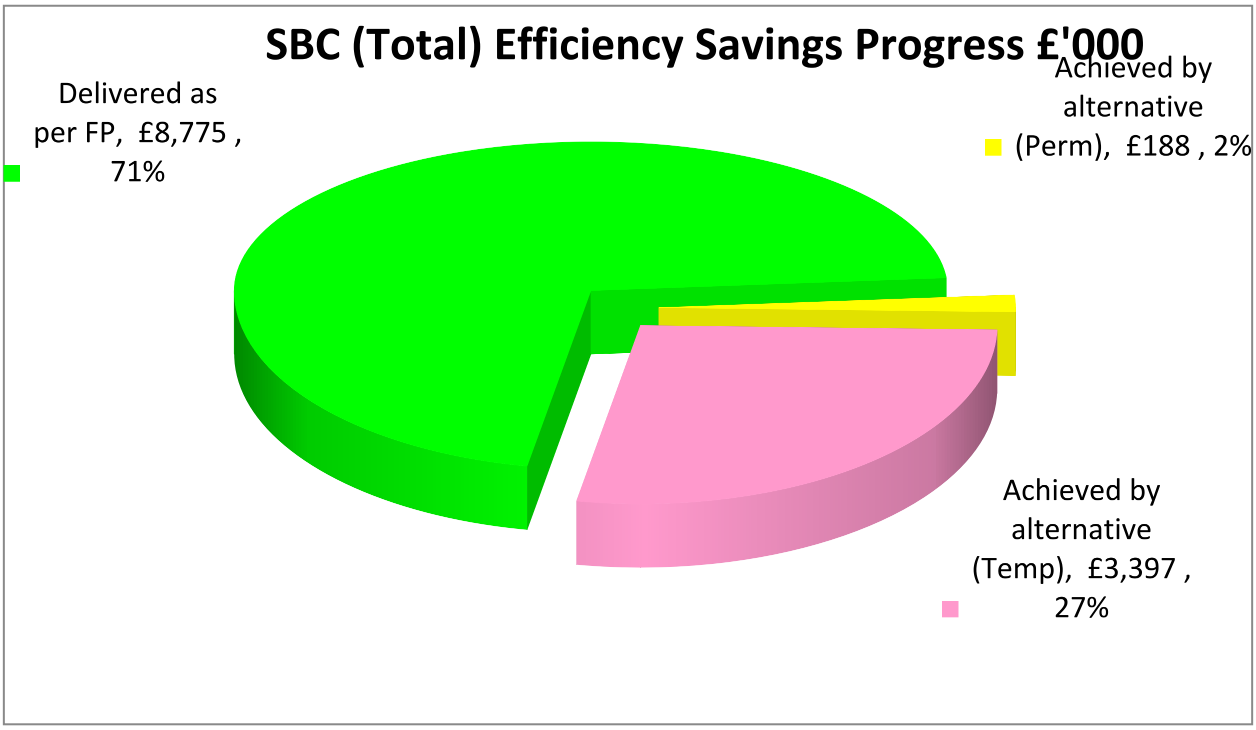
4.7 **Regulatory Services**
Favourable £0.146m
A favourable variance at 31 March 2016 of £0.146m was attributable to additional income from Development Control fees, an underspend on advertising £0.050m, additional income in Legal from Licences £0.033m and an underspend in Assessors of £0.029m.

4.8 **Other Services**
Favourable £0.118m
Overall, there was a favourable variance of £0.118m within Other Services at 31 March 2017. This is partly due to an underspend in Council Tax Reduction Scheme (CTRS) of £0.116m. 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 an underspend of £0.157m in Housing benefit which is offset by an overspend in bad debt due to the write off of aged balances as part of the year end process. These will be reflected in the annual write off report presented elsewhere on this agenda.

4.9 **Council Tax**
Income Pressure £0.296m
The Council received marginally lower net income than was expected mid-year (0.56% of final approved budget). Original Financial Plan assumption was exceeded by £71k.

5 FINANCIAL PLAN SAVINGS

5.1 A summary of the delivery of all savings agreed within the 2016/17 Financial Plan is outlined in Appendix 2 to this report and is summarised for the Council as a whole on the following page:



5.2 Overall, savings of £12.36m were delivered during 2016/17. Of these, £8.963m (73%) were delivered permanently (£8.775m (71%) as intended within the Financial Plan and £0.188m (2%) by alternative means). The remaining £3.397m (27%) of savings were achieved on a temporary basis and thus these savings will require to be addressed permanently during 2017/18. The Corporate Management Team is placing particular emphasis on the permanent delivery of these remaining 2016/17 savings during the early part of 2017/18.

5.3 The chart above continues to highlight the ongoing sustained improvement overall in the value of savings delivered on a permanent basis with £8.963m of savings delivered permanently in 2016/17. £6.62m of savings were delivered on a permanent basis in 2015/16, £6.571m in 2014/15 and £4.579m in 2013/14, improving confidence in the robustness of the financial planning process. It should therefore be noted that a significantly greater level of savings were required in 2016/17 compared to previous years. The savings not yet delivered on a permanent basis however highlights the need for robust scrutiny and challenge by Senior Officers and Elected Members and reinforces the importance of budgetary control by managers and regular reporting during the financial year. Ongoing effort will be required going forward to further improve this delivery performance due to the scale of further savings required in 2017/18.

6 YEAR END POSITION

6.1 The favourable outturn position reported is subject to the statutory audit process. Considering the scale of the Corporate Transformation programme to be delivered in 2017/18 and the impact this may have on staffing complements in the Council, there is likely to be an increased pressure on the ER/VS budget. It is therefore proposed that following the audit process the 2016/17 year end underspend be allocated to supplement the existing ER/VS budget.

7 IMPLICATIONS

7.1 **Financial**
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 2017.

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 £3.397m of planned efficiency savings will require to be addressed on a permanent and recurrent basis in 2017/18.

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:

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