Scottish Borders COUNCIL

ITEM NO. 6

2014/15 UNAUDITED REVENUE OUTTURN

Report by the Chief Financial Officer

EXECUTIVE COMMITTEE

09 June 2015

1 PURPOSE AND SUMMARY

1.1 **This report provides Members with a statement comparing final revenue outturn expenditure and income for 2014/15 with the final budget for the year and explanations for significant variances.**

1.2 The revenue account for 2014/15 delivered an outturn Net Expenditure of £258.522m against a revised budget of £258.925m (after adjusting for the carry forward of earmarked balances.) An unaudited outturn underspend of £0.403m was achieved.

1.3 It is proposed that the unaudited underspend be allocated initially to the general fund unallocated reserve. The £0.403m underspend (0.16% of Final Approved Budget) was delivered following a number of earmarked balances approved by Executive during 2014/15. In total, these amount to £7.492m and relate to a number of initiatives across departments and specifically include £1.721m of carry forward for Devolved School Management.

1.4 £5.352m of balances was brought forward to 2014/15 from previous years, thus producing a net increase in balances of £2.140m during 2014/15. In addition to those above, provision has been made of £0.1m to meet the additional costs projected in 2015/16 relating to the expected COSLA residential care home uplift and new PVG arrangements for SBCares, £0.3m for the continuation of Energy Efficiency initiatives (continuation of CEEF) and £0.1m roads maintenance which is work in progress at the end of the financial year.

2 RECOMMENDATIONS

2.1 **It is recommended that the Executive:-**

a) Notes the underspend of £0.403m as the draft unaudited final revenue outturn position for 2014/15, Appendix 1 to this report.

b) Notes that this draft unaudited outturn position will inform the budgetary control process and rolling quarterly financial planning process for the current and future years.

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

d) Approves, subject to conclusion of the statutory audit process, the transfer to the unallocated general fund reserve of £0.403m and provisions of £.0.5m to meet additional PVG and residential care home costs £0.1m, continuation of CEEF £0.3m and investment in Roads and Infrastructure £0.1m.

3 BACKGROUND

3.1 On 6 February 2014, Council approved an updated Financial Strategy for the years 2014/15 - 2018/19. This was the third year in operation of an ongoing rolling five year Revenue Financial Plan, which was underpinned and delivered by the medium-term Financial Strategy. Specifically within the Financial Strategy, the key financial objectives were stated:

- freeze council tax in each year of the budget;
- set a prudent, sustainable budget in line with available resources;
- continue to invest in infrastructure through a sustainable capital programme financed by £20.8m loans charges per annum;
- provide support to an Affordable Housing Investment Programme of up to £18.8m for the delivery of 200 units; maximise income while keeping fees charged to service users at an affordable level
- continue to invest in business transformation and efficiency projects to deliver long term financial savings and service benefits, and, maintain unallocated reserves of £6.313m for 2014/15 in line with the assessed risk register.

The assessment at the end of 2014/15 is that despite financial pressures arising during the financial year, the approved strategy remains appropriate and assured.

3.2 During 2014/15 detailed Revenue Monitoring Reports were reviewed by Corporate Management Team on a monthly basis which enabled take corrective management action to be taken to address budget pressures. Where appropriate, approval was sought from Elected Members to vary budgets through self-financing budget virements.

3.3 Detailed budgetary control reports for 2014/15 were submitted for consideration by Executive members on:

- 19 August 2014 (as at the end of June)
- 11 November 2014 (as at the end of September)

- 24 February 2015 (as at the end of December)

Additionally, a further report requesting final virements and earmarked balances was made to Executive on 10 March 2015.

3.4 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. Virement reports, which flowed from ongoing budgetary control, were also approved.

3.5 This report now compares the final, but unaudited, outturn for 2014/15 with final approved budgets.

4 FINAL OUTTURN STATEMENT

4.1 The revenue account for 2014/15 delivered a net underspend of £0.403m. The net expenditure position for the year was an outturn of £258.522m against a final approved budget for 2013/14 of £258.925m. The outturn includes adjustments for earmarked under spent budgets brought forward from previous years and earmarked 2014/15 budgets carried forward to 2015/16. A high level summary of the main issues affecting council departments is shown below. The detailed outturn statement for the 2014/15 revenue budget is shown in Appendix 1.

Chief Executive
Favourable variance £77k

4.2 The department achieved an underspend of £77k at the 31 March 2015, representing a variance of 0.27% of the Final Approved Budget. Savings were made as a result of a number of factors across the department, including additional private-sector leasing income, lower than anticipated occupational health and external audit costs and a number of areas of staff savings arising from managed staff turnover and delayed recruitment amounting to £146k in total. These savings and additional income however were partly offset by additional costs associated with the Borders Railway, additional printing costs and a shortfall in budgeted recharged costs to the Council's non-General funds, totalling £85k.

People Department
Adverse variance £42k

Children & Young People

4.3 At the 31 March 2015, the Children & Young People department is carrying forward £808k in respect of Devolved School Management (DSM) balances for Primary Schools and £709k in relation to Secondary Schools. The department has also carried forward £204k to meet ERVS costs in 2015/16. Following rigorous budget management during the year, in addition to DSM balances, the service delivered a planned underspend of £292k in order to offset pressures experienced across the wider People department. The main area of managed savings is within Early Years, where the phased introduction of the new Early Years and Childcare service and a reduction in planned discretionary ICT spend has resulted in savings of £237k. A similar reduction in spending within Central Schools and Community Learning and Development delivered a further £51k of savings. Remaining areas of savings within the service relate to lower than anticipated costs of long-term absences and transport, offset by additional staffing costs and increased uptake of free school meals for P1-3 children, which now sits at 76% on average across the Scottish Borders.

Adult Services

4.4 Adult Services experienced a considerable range of pressures during 2014/15, many of which have been addressed through remedial actions being identified and delivered and, going forward, by investment within the 2015/16 Financial Plan. The main service area which continues to experience significant financial pressure remains Older People, where a combination of increased demand for home and residential care services, particularly amongst clients aged 75+, continues to increase beyond levels projected and budgeted for. A further key area of pressure relates to the increasing costs of homecare and community-based care due to a combination of pressure from providers for rate/contractual increases, unbudgeted holiday pay and in particular, the increased costs of homecare resulting from retendering. The People with Physical Disabilities service also experienced pressure during 2014/15 due to a small number of additional high-tariff clients being supported by the service. The unit-cost of intensive care of this nature tends to by high due to complexity of clients' needs. Overall, the pressures across the department were substantially mitigated by managed savings within Adults with Learning Disabilities, People with Mental Health Needs and Generic Services where action plans for the delivery of in-year savings contributed £263k to meeting pressures overall, which resulted in the total overspend within the service amounting to £334k in net terms, offset in the main, by the further managed underspend within Children & Young People as outlined in 4.3 above.

Place Department
Favourable variance £462k

Commercial Services

4.5 Within the Place department, Commercial Services has delivered an underspend at 31 March 2015 of £301k. This is attributable to a number of factors including increased profitability by Fleet Management £89k, Catering and Property savings £178k and other additional income and miscellaneous cost savings within the service.

Neighbourhood Services

4.6 Due to relatively dry weather conditions during the second half of the financial year, savings of £45k were achieved from lower than projected leachate management costs. Increased income from waste collection and disposal and a reduction in the use of overtime further contributed £32k to the service total saving of £199k as did additional income from the winter maintenance of trunk roads of £26k. The remaining balance of £100k was attributable to budget allocated to the service late in the year for the maintenance of roads, which was not undertaken until early 2015/16 and for which provision has been made in the balances returned to the general fund reserve at 31 March.

Regulatory Services

4.7 A small adverse budget position at the 31 March of £38k was attributable to additional legal fees in relation to the Waste Management legal case defended during the year (£85k) and lower income from Planning Fees (£25k), offset by lower election costs £25k and additional income/miscellaneous cost savings within Regulatory Services £25k.

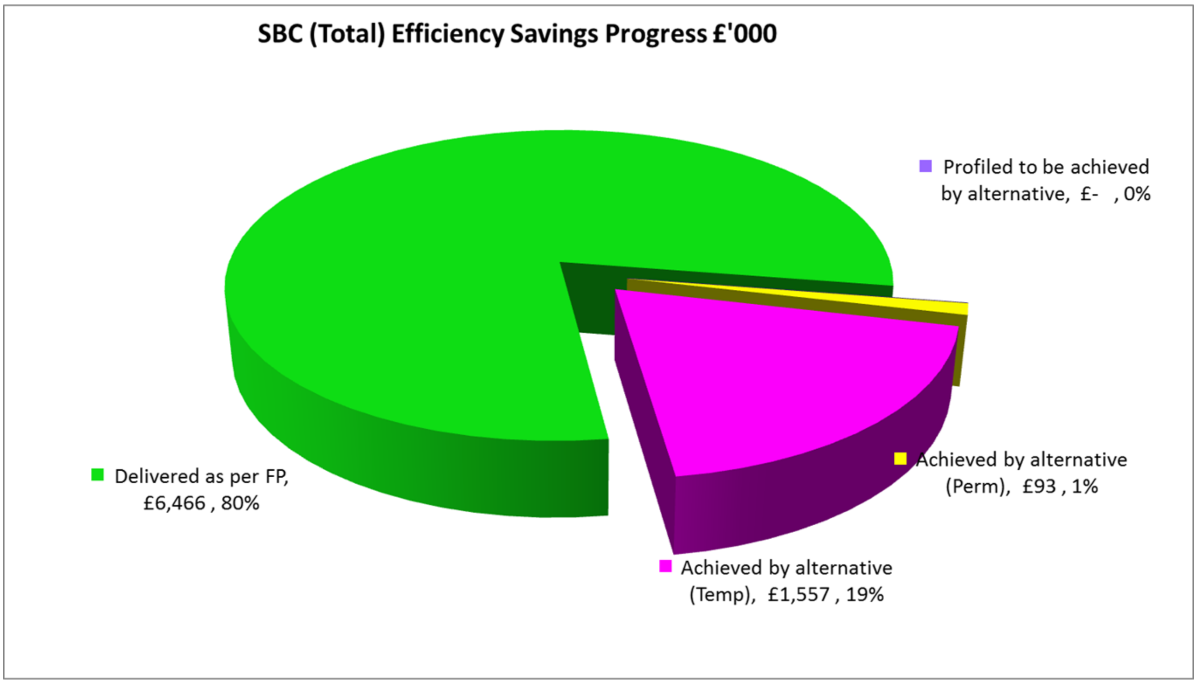
Other Services
Favourable variance £387k

4.8 Overall, there was a saving of £80k within Other Services at 31 March 2015. A number of virements were made to/from Other Services during the financial year in order to deal with additional costs of Corporate Transformation and ERVS, both of which ended the year with variances of (£44k) and (£66k) over budget respectively and to offset savings in Loans Charges due to managed borrowing, and additional Commercial Rental income.

4.9 The Council also collected £307k additional Council Tax income during 2014/15, representing 0.6% more than the £51.3m budgeted level. Members will recall that additional savings have been included within the 2015/16 Financial Plan in order to recognise this increase in Council Tax income.

5 FINANCIAL PLAN SAVINGS

5.1 A summary of the delivery of all savings agreed within the 2014/15 Financial Plan is outlined in Appendix 2 to this report and can be summarised for the Council as a whole as:



5.2 Overall, savings of £8.116m were delivered during 2014/15. Of these, £6.466m (80%) were delivered in full as intended within the Financial Plan. The remaining 20% were delivered by alternative measures although the vast majority these alternative measures were only temporary and thus a further £1.557m will require to be addressed permanently during 2015/16.

5.3 The graph above nonetheless continues to highlight the ongoing sustained improvement overall in the delivery of agreed savings and 80% full delivery in 2014/15, when compared to % levels in 2013/14 and 2012/13 of 70% and 50%, demonstrates this, testimony to the regular monthly analysis, reporting and challenge made during the financial year, although ongoing effort will be required going forward to further improve this delivery performance.

6 IMPLICATIONS

6.1 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 in as at 31 March 2015.

6.2 **Risk and Mitigations**

There is a risk that the final outturn will change subject to the on-going external audit. Additionally, the recurring impact of reported pressures during the financial year and the temporary achievement of 19% of planned efficiency savings will require addressing in 2015/16.

6.3 **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.

6.4 **Acting Sustainably**

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

6.5 **Carbon Management**

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

6.6 **Rural Proofing**

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

6.7 **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.

7 CONSULTATION

7.1 CMT, the Monitoring Officer, the Chief Legal Officer, the Service Director Strategy and Policy, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council have been consulted with comments received reflected in this paper

Approved by

David Robertson
Chief Financial Officer **Signature.....................................**

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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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