
MONITORING OF THE GENERAL FUND REVENUE BUDGET 2018/19

Report by the Chief Financial Officer
EXECUTIVE COMMITTEE

21 August 2018

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 June 2018 and explanations of the major variances between projected outturn expenditure/income and the current approved budget.**
- 1.2 After the first quarter of 2018/19 the Council was projecting pressures in excess of budget of £1.36m, management action has however been identified to offset the projected variance and these measures allow a projected balanced position at 31st March 2019 to be forecast. Full delivery of these measures will allow all known pressures to be managed within the Council's overall 2018/19 revenue budget. This balanced position is dependent the management actions being delivered during the remainder of the financial year.
- 1.3 The revenue monitoring process during 2017/18 continued to use the existing methodology of agreeing financial projections with managers due to delays in developing reporting functionality within Business World. As a result of further development of system functionality in 2018/19, a new budget forecasting tool has been developed and tested and is now being used by finance staff. Final adjustments are now being made to the forecasting modeller before it is fully rolled out to all budget managers. Real time financial reporting with drill-down functionality to individual transaction level within Business World is also now available to Budget Managers. This additional financial information will assist Managers with the process of effective budget management.
- 1.4 As shown in Appendix 3 as at 30 June 2018 56% (£9.182m) of the savings required by the approved budget have been delivered within the current year. A further 44% (£7.232m) is profiled to be delivered during the remainder of 2018/19. Emphasis during 2018/19 needs to be placed on delivering the savings permanently per the 2018/19 Financial Plan especially considering the scale of the full year savings required (£16.414m).
- 1.5 Full details of pressures, risks and challenges and the significant majority of areas of the Council's operation where 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 projected corporate monitoring position reported at 30 June 2018, the pressures identified, the underlying cost drivers of this position 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;**
- (d) asks the Corporate Management Team to ensure measures continue to be taken to deliver a balanced budget in the current year; and**
- (e) reiterates its support for a culture of sound financial management in all council departments to ensure the ongoing sustainability of the Council.**

3 PROJECTED OUTTURN

- 3.1 The revenue monitoring position set out in this report and summarised in Appendix 1 is based on actual income and expenditure to the 30 June 2018. The monitoring position overall is projecting a balanced position at 31st March 2019 with all known pressures now being managed within the Council's overall 2018/19 revenue budget.
- 3.2 The monitoring process at the end of the first quarter highlighted budget pressures of £1.36m as a result of identified delays in the delivery of Financial Plan savings coupled with service pressures which have emerged since setting the budget in February 2018. Service Directors have undertaken a thorough reassessment of budget projections and as such have been able to identify compensatory savings to manage these pressures within existing 2018/19 budgets as outlined in sections 3.4 – 3.12 below.
- 3.3 Appendix 3 sets out the progress made by the end of month 3 to deliver the savings approved in the Financial Plan in February 2018 plus prior year savings achieved temporarily during 2017/18. 56% (£9.182m) of the savings have been delivered within the current year (23%, (£3.799m) as per the Financial Plan, 10% (£1.634m) by alternative means on a permanent basis and 23% (£3.749m) by alternative means on a temporary basis. A further 44% (£7.232m) is profiled to be delivered during the remainder of 2018/19.
- 3.4 **Culture & Sport**
- Culture and Sport are projecting a balanced position.
- 3.5 **Assets & Infrastructure**
- Pressures have arisen during the first quarter from delays in implementation of the property & assets saving of £0.233m. This remaining saving targeted from rationalisation of property is now viewed as highly unlikely to be delivered in this financial year. A reassessment of current commitments has been undertaken and the service is however able to manage these pressures within existing budgets by maximising income opportunities and operational efficiencies within the Service. All efforts to deliver property rationalisation savings as quickly as possible are being pursued by the service.
- 3.6 **Economic Development & Corporate Services**
- Economic Development & Corporate services are projecting a balanced position at the end of the first quarter.
- 3.7 **Health & Social Care**
- The Health and Social Care function is experiencing pressures which, if remedial action is not taken, will result in expenditure exceeding budget by £1.096m with pressures of £1.116m relating to functions delegated to the IJB and an underspend of £20k on non-delegated functions. This pressure is a combination of service demand for packages of care beyond the level of service assumed by the budget of £0.667m and delays in delivery of Financial Plan savings to the value of £0.429m. The service has reviewed all current commitments and has committed to manage these pressures of £1.096m within existing budgets through a combination of measures. These include revised funding assumptions for the expansion of new care services which can contribute one-off budget in 2018/19, emphasis on delivery of service efficiencies and a review of care packages.

3.8 Children & Young People

Management have taken steps to recognise areas of identified challenge within the service during 2018/19 and through targeted actions have ensured appropriate support is provided to schools, where required, in response to identified needs. The resulting budget pressures are being managed through a number of management actions and the re-direction of budget across the directorate to allow a balanced position to be forecast.

3.9 Customer & Communities

The service is projecting a balanced position overall. A review of Housing Benefit Accounting practises is underway, an update will be provided to Executive committee as part of the monitoring process in the quarter 2 monitoring report.

3.10 Finance & Corporate Services

A temporary reduced cost of capital financing due to favourable interest rates and the ongoing tactical decision to defer borrowing to fund capital expenditure allows budget to be released from Loans Charges to support the delivery of the Financial Plan and corporate budget pressures across the Council.

3.11 Human Resources

The Service is projecting a balanced position. The Council's financial plan assumes significant savings corporately from Organisational Efficiency and Workforce Transformation, work is ongoing to deliver savings in these areas. Efforts to modernise working practices are, however, taking longer than originally anticipated to deliver and as a result of these delays, temporary savings have therefore been identified to offset the current shortfall.

3.12 Regulatory Services

The Service is projecting a balanced position. The Planning service is highly dependent on fee income to achieve their budget target. The 1st quarter of 2018/19 has seen lower levels of income than the previous year, and while it is too early in the financial year to predict a trend with any degree of certainty actual income will continue be monitored closely on a monthly basis. Any variance from budget will be reported as the financial year progresses.

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 2018/19.

4.2 Risk and Mitigations

There is a risk that further cost pressures may emerge as the year progresses or that the savings required to compensate for non-delivery of Financial Plan savings may not be delivered as planned, both of which may impact on the outturn position. 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. These efforts include maintaining a focus on sound financial management, balancing the budget and delivering good value for money and ensuring these remain key aspects the culture of the council.

- 4.3 It is imperative therefore that as many savings as possible identified within the 2018/19 and previous financial plans are delivered permanently to ensure affordability and budget sustainability.

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 Business World System.
- (b) review of budget variances and monitoring of management actions to control expenditure by Finance, Service staff and Service Directors and monthly reporting to CMT.
- (c) engagement with Departments and review of monthly management accounts by management teams.
- (d) supporting departmental corporate transformation projects to monitor and deliver the planned corporate transformation savings in the medium-term Financial Plan.

4.4 **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.

4.5 **Acting Sustainably**

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

4.6 **Carbon Management**

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

4.7 **Rural Proofing**

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

4.8 **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.

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.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Financial Services Manager 01835 824000 X 5881

Background Papers:
Previous Minute Reference:

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the Author. Information on other language translations as well as additional copies can also be provided.