

EXECUTIVE COMMITTEE

2 OCTOBER 2018

SCRUTINY MINUTE EXTRACT – 3 SEPTEMBER 2018

1. **CALL-IN: MONITORING GENERAL FUND REVENUE BUDGET (2018/19)**
- 1.1 With reference to paragraph 2 of the Executive Minute of 21 August 2018, there had been circulated copies of a Call-in of a decision of the Executive Committee relating to the Monitoring of the General Fund Revenue Budget Monitoring 2018/19. The decision of the Executive Committee was:
- AGREED to:-*
- (a) *note 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) *approve the virements detailed in Appendix 2 to the report;*
 - (c) *note the progress made in achieving Financial Plan savings in Appendix 3 to the report;*
 - (d) *ask the Corporate Management Team to ensure measures continued to be taken to deliver a balanced budget in the current year; and*
 - (e) *reiterate support for a culture of sound financial management in all council departments to ensure the ongoing sustainability of the Council.*
- 1.2 Also circulated was an extract from the Minute of the Executive Committee of 21 August 2018; and the report and appendices considered by the Executive Committee on 21 August 2018.
- 1.3 The Call-in had been made by Councillor Ramage, supported by Councillors Bell, Marshall, McAteer and H. Scott, and was as follows:
- “I would like to call in the decision of the Executive meeting on 21 August 2018 at item 5 on the agenda – the quarterly report on the Monitoring General Fund Revenue Budget 2018/19.*
- I do not consider that there was sufficient examination at the meeting of the 41 pages of detail which comprised this series of papers. That may result in the view that there should have been amendments or additions to the recommendations.”*
- 1.4 The Chairman, Councillor Bell, welcomed officers and Members to the meeting, and described the procedure to be used during the meeting before inviting Councillor Ramage to give her reasons for the call-in. Councillor Ramage explained that she had attended the meeting of the Executive Committee, having read the report and listed a series of questions which she had expected would have been asked by the members of the Executive, but

detailed questions had not been asked. Councillor Ramage was deeply concerned that not enough attention seemed to be paid to the serious message given to Executive Committee in their report.

- 1.5 The Chairman then invited the Chief Financial Officer to briefly summarise the report to the Executive Committee. David Robertson advised that the report contained the first quarter's monitoring of the Revenue budget to the end of June 2018, highlighting pressures of £1.36m and explaining the management actions underway to address these pressures. These pressures amounted to c. 0.5% of the total revenue budget and a number of compensatory actions had been identified to cover them. Reference was also made in the report to the delays in developing reporting functionality within Business World but it was noted that a new forecasting tool was now in place for use by finance staff, with the roll out to budget managers starting. Progress had been made with respect to savings requirements, with £9.2m required by the Financial Plan already delivered and a further £7.2m profiled for delivery during the financial year. A range of challenges and a summary of the financial position of each Service, details of virements, and the status of financial savings were included in the 3 appendices to the report. The recommendations in the report were all agreed by the Executive Committee.
- 1.6 Members who had supported the Call-in and members of the Audit & Scrutiny Committee had been asked to submit questions beforehand to allow officers to prepare for the meeting, and a copy of these questions along with summarised answers was circulated at the meeting. The Chief Financial Officer gave answers to each of the questions and the Chairman gave members of the Committee the opportunity to raise any supplementary points for information or clarification. Mr Robertson confirmed that in terms of the pressures on the Health & Social Care budget, the adverse pressures on the budget - which were around 2.5% of the Health and Social care budget for adults - were viewed by the management team as very challenging but were not viewed as critical. The Health and Social care budget was experiencing sustained pressures from growth in demand for care packages for increasing numbers of elderly people and in particular growth in the number of care packages for the very elderly over 85 population. This was in line with the experience of other authorities across the country. It was noted that a change in strategic direction was not required with regard to care packages. The Council had a good track record of addressing pressures which was reflected in the budget planning process. Over the last few years the Council had made recurrent savings of £35m from its budget. There were continuing challenges facing the Council and these could best be addressed through a robust approach to cost control in all areas and through a focus on the appropriate long term planning of service delivery. It was crucial to prudent budget management that difficult choices were made when necessary to keep the Council financially viable. There were very significant pressures on Health & Social Care services from a range of contributory factors but these were being addressed at the moment. The Chief Executive confirmed that there would be more than one dementia care centre in the Borders, with the proposal for Queen's House addressing current need.
- 1.7 In response to a question submitted by Councillor McAteer regarding the scale of virements, Mr Robertson confirmed that the Council's Corporate Management Team (CMT) managed dynamically a very large, complicated budget with plans changing to reflect changing circumstances and budgets having to be moved throughout the year to address this. Virements were the means by which budget was adjusted during the year and demonstrated how officers were controlling the budget on a day to day basis. Financial Regulations, approved by Elected Members, required virements to be reported to the Executive Committee to show the necessary audit trail. Officers actively scrutinised and adjusted budgets as required and there was no breach of any Regulations or guidelines issued by the Council's auditors. The auditors had previously endorsed the approach being taken to tracking the delivery of savings which were detailed in Appendix 3 to the report as either

already achieved as per the Financial Plan; profiled to be achieved as per the Financial Plan; achieved on a permanent basis by alternative means to that within the Financial Plan; and achieved on a temporary basis by alternative means to that within the Financial Plan. This appendix showed how savings were managed and tracked. Members commented on the style and content of the appendices and queried the differences between permanent and temporary savings. Mr Robertson confirmed that Reserves were at the level agreed by Council as part of the 2018/19 financial strategy.

- 1.8 With regard to property rationalisation, Mr Robertson advised that the savings planned were part of the property portfolio strategy to make the best use of Council property, disposing of that which was no longer required and making the best use of the accommodation which remained. This disposal of property, and actions to ensure retained property was fit for modern working purposes, were taking longer than anticipated due in part to the limited capacity within the team which was also carrying out other property projects work e.g. new schools, flood schemes, remediation works on Borthwick Quarry, etc. CMT was confident that there would be savings from property rationalisation but these would be further down the line than originally envisaged. Ms Logan confirmed that CMT looked to make as much efficiency from the corporate overhead as possible, and would employ more staff if this would ultimately lead to more savings. Work was currently underway with NHS Borders and other partners to examine options for the joint sharing of property e.g. NHS staff to be based at Council HQ. CMT was always looking to reduce property where possible and practical but also had to consider putting staff into appropriate buildings.
- 1.9 The Service Director Children & Young People then gave further explanation of the following spend from budget - £190k as additional support in Galashiels Academy, Langlee Primary School and Burnfoot Primary School; £230k for a defined programme of work with Youth Borders and other partnership initiatives; £70k for additional social workers in the Hawick Locality Team and the Duty Team; £147k for additional Depute Head Teachers in Hawick High School to provide additional management capacity; £150k on out of area placements; and £400k of savings being investigated. Assessments were carried out over the summer months as the number of children enrolled in schools changed and teacher allocations needed to change to match this. Mrs Manson further confirmed that a range of services were commissioned from a number of independent organisations to provide intensive support for very vulnerable children and where there were gaps in these organisations' grant funding, the Council stepped in to provide interim funding to avoid a break in service provision. The Council had been very successful in reducing budgets for out of area placements where other Councils had overspent and Mrs Manson was working closely with Mr Barr, Executive Director, on contracts to ensure best value was being met. The education service worked closely with the social work side to support the most vulnerable families using a corporate approach.
- 1.10 Councillor Bell suggested that in future consideration should be given to providing an appropriate balance of detail/information/explanation within the report and any resultant appendices. With regard to a question about including contingencies within the budget, Mr Robertson confirmed that the Council maintained Reserves as part of its risk management approach to financial planning to manage any significant variations and Ms Logan further advised that CMT managed the budget corporately through a shared approach, working as a team to resolve any issues, with Mr Robertson and the Finance team facilitating this approach. In answer to a question about care package reviews, the Chief Social Work Officer confirmed that it had been found that when people were provided with initial support they were prescribed a certain amount of care but once they settled back in their homes they did not need as much support. The facilities created at Waverley Home and Crawwood were now available to assist with the assessment and rehabilitation process for clients requiring care. Mr Leys confirmed no changes had been made to the criteria for assessing care. Ms Logan further advised that the review of a care package was part of integrated

care and resulted in a responsible reduction of a care package ensuring an appropriate level of support was in place based on need.

- 1.11 In response to a question regarding why only 23% of savings had been achieved as per the Financial Plan, Mr Robertson advised that these were only the savings delivered to the end of June 2018 and a further 44% of savings were profiled to be delivered per the Financial Plan in the remainder of the financial year. Going forward, the budget planning process would be as robust as possible to maximise the Council's resources. The Service Director Customer & Communities further confirmed that £1m of savings were due to be delivered through digital transformation with £500k delivered to date. Digital transformation savings would be achieved from staff as well as systems. Ms Logan also made reference to work underway on corporate savings through workforce changes across the organisation including potentially to terms & conditions, work patterns and flexible working. There had been delays in the implementation of Business World but the majority of functionality was now in place. Ms Logan then offered another briefing for Members on how financial budgets were planned, managed and changed, including the terminology associated with this, if this would help give Members greater insight into the processes and subsequent monitoring reports. With regard to virements, the policy and threshold on these could be reviewed to provide greater clarity. Virements in themselves were not an issue but any major deviations from the Financial Plan would need explanations. Ms Logan also advised Members that if any had concerns about any aspect of monitoring reports or any other committee report to come to see her or other members of CMT for clarification or explanation. As part of the budgeting process for next year, officers would review how to report financial planning, variations, style of reports and whether any policy changes were required as a result.

DECISION

(a) AGREED to:

- (i) note the decisions of the Executive Committee with regard to the monitoring of the General Revenue budget 2018/19; and**
- (ii) compliment the work of Council officers in terms of their review of the financial circumstances of the Council emphasising sound financial management.**

(b) AGREED to recommend to the Executive Committee:

- (i) that all Elected Member be encouraged to approach the Chief Executive or member of the Corporate Management Team to seek further explanation or clarification for any matter contained within a financial monitoring, or any other, committee report;**
- (ii) that a further Members briefing session be held on financial planning, monitoring and terminology, to ensure Members had an understanding of the processes involved; and**
- (ii) to request the Chief Executive and Chief Financial Officer to investigate any changes which could be made in mechanisms used for virements.**